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Afterword: Europe and the political geography of global confrontation. A world system perspective on Behind the War on Terror (N. Mosaddeq Ahmed)

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Afterword: Europe and the political geography of global confrontation.

A world system perspective on “Behind the War on Terror”

Arno Tausch

1) Europe is the loser from the present confrontation and European hegemonic rivalry with the US will increase

This afterword to this brilliant book starts from the assumption that both Europe and the Arab world are facing the same tendency of a basic and underlying shift in global economic activity away from the West of the Euro/Asian/African landmass towards the countries of the Pacific, and that the United States Government's main interest today is in preserving and intensifying the US Government global hegemony after the end of the Cold War, and to maximize access to global wealth and energy resources in a world that looks more and more like the late 19th Century. The conditions of this political economy of the 21st Century were spelled out by the world system theory school of thought in the social sciences, pioneered by such scholars as Samir Amin, Giovanni Arrighi, Volker Bornschier, Christopher K. Chase-Dunn, Andre Gunder Frank, and Immanuel Wallerstein (Professor Wallerstein's work is actually referred to in the book).

Chances to arrive at an alternative world order – one that is based on strengthened United Nations, on global cooperation, and global civilizational dialogue, were lost in the decade after the end of the Cold War. The positioning in the global power game, and nothing else, was the reason for this Iraq war, and forget all about the fight against “WMD” (weapons of mass destruction) and all the other “holy” principles.

America's long term agenda under Bush, the argument runs, is not just interested in establishing its vision in the Near East (something that the present book brilliantly shows), but in the end is interested in blocking European peaceful ascent to global leadership – as envisioned by the European Union's Lisbon agenda until 2000 – at the same time. As it is well-known, at the Lisbon European Council (March 2000), the European Union set itself a new strategic goal for the next decade: to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion. The rift between Europe and America – especially between France, Germany and Russia on the one hand and the US on the other hand, has a very basic political economic background – the growing hegemonic rivalry between the world's leading capitalist blocs, that characterize world capitalism since 1450. An EU comprising up to 40 nations of the third and fourth enlargement wave indeed would be a major change in the structure of the international system and could be driven by America's power play, but also by its own internal deficient dynamics, characterized by low innovation and high government spending, into such a position.

A large, wider Europe, driven into hegemonic rivalry by the present hyperpower play by the United States - is a somber scenario, it enjoys a high kind of probability, and it has dire world political consequences. It was shown in recent quantitative research that there is a recurrent and shortening cycle of conflict in the international system, linked to the long cycles of economics and politics. According to Arrighi, the usual, recurrent slumps in the long, fifty year economic (Kondratieff) cycles are called signal crises; while the interaction between the end of world hegemonies (1340, 1560, 1750 and 1930) and the regular Kondratieff slumps are called terminal crises or - Tsunami waves, because they have catastrophic and

devastating effects on the world system and have a high probability of leading - in a shortening time period - to major power wars.

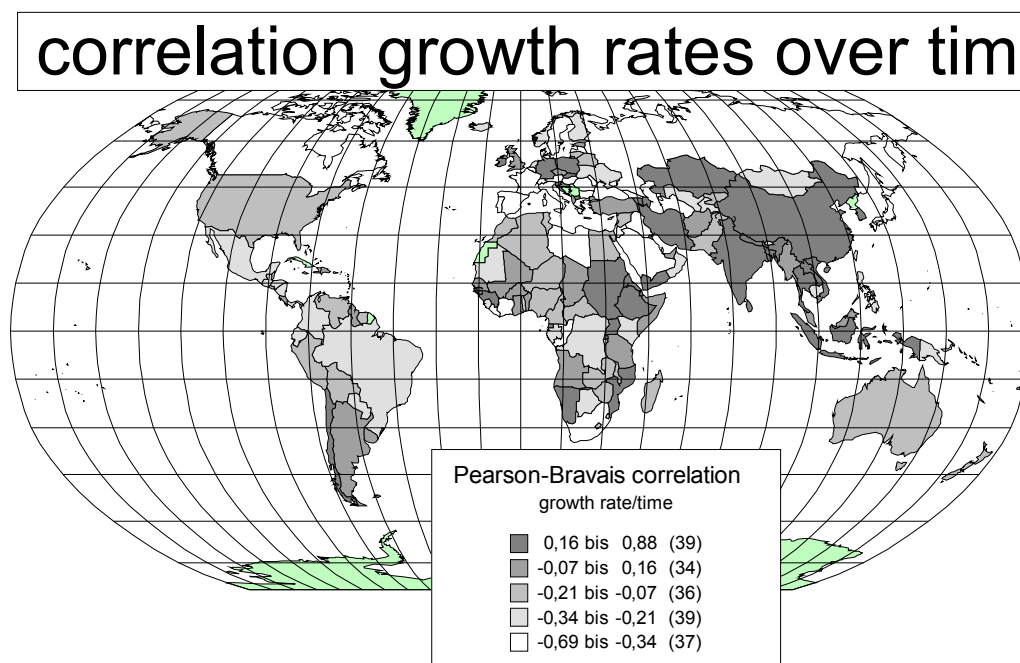
Those that hoped for world peace after the end of the Cold War will be bitterly disappointed. Warfare and not peace are, it seems, on the agenda, and Mr. Ahmed's book covers the world region with the sharpest contemporary conflicts. But we Europeans should not lean back and wait and think, that this war, as Goethe once observed Germans talking among themselves about political conflicts during their Easter walk, happens "far back in Turkey".

Our empirical analyses of world systems dynamics first showed that the danger of such a more but not too distant Tsunami cataclysm after 2030 is real. First of all, the social consequences of the ongoing phase of globalization already have the character of a Tsunami wave in itself. This leads us to expect sharper and even deeper social effects, should a terminal crisis - like during the 1930s - hit the world economy again.

Let us now look at the most likely trajectory of Europe in that global context (for more on that, see also Tausch and associates, 1986 – 2003).

We Europeans and the Arabs, so to speak, sit in the same world economic boat. The joint dramatic decline of European growth rates and Arab/MENA country growth rates over time since the 1960s can be shown from the new "*Global Development Network Growth Database*" of the World Bank. Only the **Irish Republic had real accelerating economic growth**, while **12 of the 15 present European Union members were confronted with decreasing economic growth** from 1962 to 1998 (the acceleration of economic growth in Luxembourg is negligible, and there is no complete data series for Germany within the new borders after the fall of the Berlin Wall).

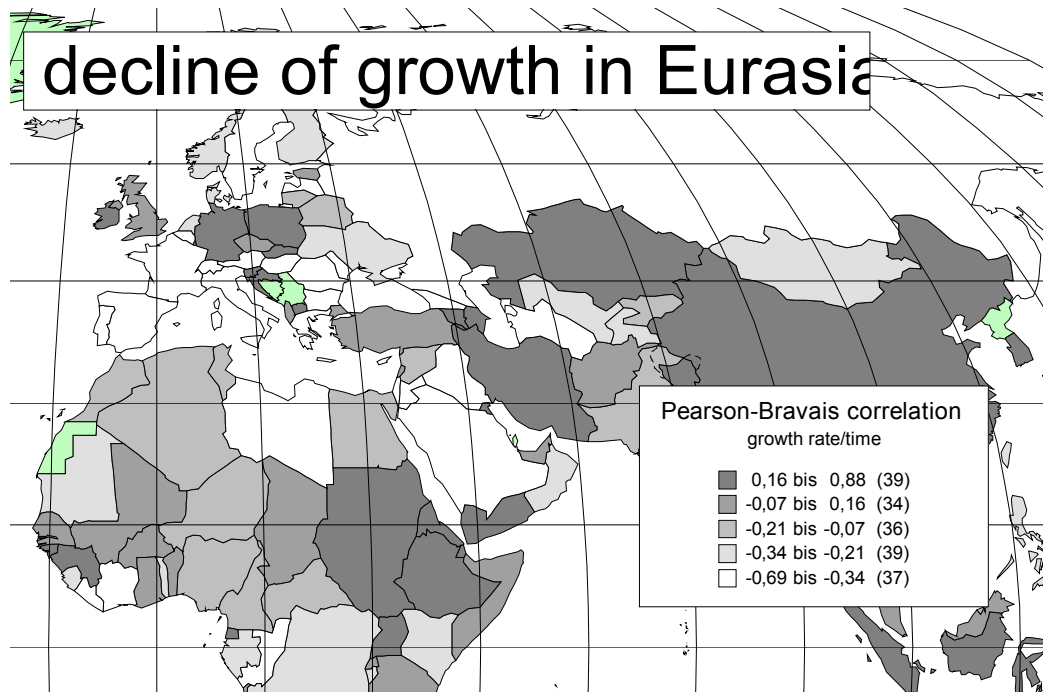
Map 1: the world economic future lies in the semi-peripheries. Time series correlation analysis of World Bank country annual growth rates over time, 1962 - 1999



Legend: 0,16 bis 0,88 means: country time-series correlation coefficient ranging from 0,16 to 0,88. Dark colors indicate that growth is accelerating, while light colors indicate decreasing growth potentials. Pearson/Bravais: a statistical measure of the strength of a relationship between variables, it ranges from – 1 (minimum) to + 1 (maximum). It was calculated from World Bank data by the EXCEL statistical program.

Our analysis shows furthermore which geographical areas will most likely benefit from the enlargement of the European Union in the near future:

Map 2: Decline of growth rates in parts of Europe. Time series correlation analysis of World Bank country annual growth rates over time, 1962 - 1999



Legend: 0,16 bis 0,88 means: country time-series correlation coefficient ranging from 0,16 to 0,88. Data source: see above. Dark colors indicate that growth is accelerating, while light colors indicate decreasing growth potentials

An imperial path for a United Europe, entering into major power conflict with the US over raw materials in Central and Western Asia would be the last thing that the world needs, although there are - from past experiences - lots of indicators that would warn us that the leading powers in the center could follow precisely this path. A look into history shows how dangerous imperial confrontation, as driven by the present “power-play” by the United States of America, is. 218 repressive regimes (141 state regimes and 77 quasi-state and group regimes) killed from 1900 to 1987 nearly 170 million of their own citizens and foreigners - about four times the number of people killed in domestic and international wars during that same period. Most of these deaths occurred during the ‘earthquake’ of the “Tsunami” wave of confrontation in world politics and economics that hit the globe from 1914 to 1945.

Very sharp and bitter confrontations might arise between America and Europe over access to the Caspian Sea and its bn 150 barrels oil reserves, and over foreign policy vis-à-vis the Balkans, and the Middle East, with Europe favoring a *rapprochement* with Serbia after its October 2000 transition, a *rapprochement* with the Palestinians and the Kurds, while America staunchly favoring their own privileged access to the oil fields in the Caspian sea and in Iraq. US relations with the new government in Ankara will most probably further deteriorate in the wake of the Iraq war, with the latest “war of words” on the issue of Turkish special forces arrested by the Americans only the “tip of the iceberg”:

Foreign Minister Abdullah Gul warned that the damage in ties with the United States, created by a tense standoff over the detention of 11 Turkish soldiers by American forces in northern Iraq, in ties between traditional allies Turkey and the United States was not easy to mend and said it was the United States, not

Turkey, that came out the loser at the end of last week's crisis. The foreign minister's remarks came amid an unexpected visit to Ankara by a top U.S. general in an apparent effort to defuse tensions between the two NATO allies following. Gen. James L. Jones, the Supreme Allied Commander, Europe, held talks with top military officials and was to stay in Ankara for less than three hours, a U.S. Embassy official said on condition of anonymity. The official would not provide additional details. Gen. Jones' arrival postponed a joint probe by Turkish and U.S. delegations into the shock weekend arrest of Turkish commandos. A joint committee is expected to start a joint investigation into the incident today in the northern Iraqi city of Kirkuk, officials said. The two NATO allies agreed to launch the investigation to help repair battered ties. Diplomatic and military officials from both countries are expected to attend the meeting. U.S. forces were acting on intelligence reports that Turkish soldiers were preparing to assassinate the civilian Kurdish governor of Kirkuk, news reports said. U.S. authorities have not said whether the allegations were true but a spokesman for the State Department said Monday that 11 Turkish soldiers had been detained over reports of some "disturbing activities." "What I can tell you is that the U.S. military was acting on reports of disturbing activities that they might have been involved in," spokesman Richard Boucher said. Gul, on the other hand, said the United States and those representing it in Iraq "did wrong". He dismissed claims that the Turkish Armed Forces might have been involved in illegal activities in northern Iraq as "utterly wrong" and said he had told Secretary of State Colin Powell that the intelligence they had was "nonsense." Gul and Powell have talked on the phone three times since the crisis broke out last Friday. "I'm not going to confirm press or intelligence reports. All I can tell you is we had information that raised serious concerns about the activities of these forces in northern Iraq," Boucher said in response to a question on reports of a planned assassination against the governor of Kirkuk during a press briefing. Gul said Turkey and the United States would work together to establish confidence in relations once again after the crisis and warned: "This damage can otherwise not be forgotten easily." The detentions came amid diverging interests between the two allies in northern Iraq. Turkey has long maintained thousands of troops there to fight terrorists of the Kurdistan Workers' Party (PKK) who have launched attacks on Turkish targets from bases in northern Iraq. Turkey is deeply concerned by the Kurds' growing influence in Iraq, fearing it could spark fighting in southeastern Turkey. The United States, on the other hand, has been working closely with Kurdish groups in northern Iraq. "We have reached understandings with the Turkish Government about how we should both act in this area. The United States coalition forces are basically responsible for security in that area, and we have arrangements so that any concerns that might arise on the Turkish side can be dealt with," Boucher said, when asked whether the United States wanted Turkey out of the region. On Monday, Chief of Staff Gen. Hilmi Ozkok described the Iraqi incident as causing "the biggest crisis of trust between the Turkish and U.S. forces". Prime Minister Tayyip Erdogan told U.S. Vice President Dick Cheney he expected those behind the arrests to be brought to account, a demand echoed by Foreign Minister Gul on Tuesday. Ankara - Turkish Daily News at: <http://www.turkishdailynews.com/FrTDN/latest/for.htm#f1>)

A European led counter-world political project, a transition to global governance and democracy might be based, Boswell and Chase - Dunn argue, on the high social standards, prevalent in the European Union as a possible future catalyst for other regions of the world to follow. In a similar vein, Bornschier (1999) argues that the European Single Market has the potential for a positive transformation of the world system.

But Western Europe lost in terms of world market shares in a secular trend *vis-à-vis* the countries of the Pacific; the dynamics of growth in the world economy seem to work to the detriment of the old European centers. Asia's 'basics' are healthier than expected, and the tide turns to the detriment of the Europeans, now that the initial positive effects of European Monetary Union fade away and transnational capital flows again to the Pacific region.

Table 1: the EU in the capitalist world system. Relative share in %

EU share in top world collective service companies	74,60
EU share in world development aid	56,40
EU share in top world intermediary good companies	55,30
EU share in top world insurance companies	55,00
EU share in top world energy companies	50,20
EU share in OECD total unemployment	47,70

EU share in top world banking companies	45,90
EU share in top world automobile industry	41,60
EU share in top world chemical and pharma companies	40,00
EU share in top world electrical equipment companies	38,30
EU share in top world distribution companies	38,10
EU share in OECD total GDP	36,50
EU share in top world food industries	34,30
EU share in OECD population	34,30
EU share in top world telecom companies	33,70
EU share in OECD defense expenditure	33,50
EU share in top world electronical companies	25,70
EU share in the turnover of the top 45 world companies	21,10
EU share in top world consumer good companies	17,10
EU share in top world defense/aeronautic industries	16,80
EU share in top world mass communication companies	10,10
EU share in top world informatic companies	0,00

Legend: Our own calculations from Le Monde, *Bilan du Monde*, 2000

But latest « *Economist* » country data suggest that also the **imperial decline** of the United States **continues**:

Table 2: The imperial decline of the United States of America

	1999	2000	2001	2002
GDP per head (\$ at PPP)	33,250	34,860	35,450	36,410
GDP (% real change pa)	4.11	3.75	0.25	2.45
Government consumption (% of GDP)	17.69	17.82	18.43	18.89
Budget balance (% of GDP)	1.36	2.44	1.27	-1.53
Consumer prices (% change pa; av)	2.19	3.37	2.83	1.58
Public debt (% of GDP)	61.33	57.94	57.52	60.25
Labour costs per hour (USD)	19.11	19.72	20.32	20.87
Recorded unemployment (%)	4.22	4.00	4.77	5.78
Current-account balance/GDP	-3.16	-4.18	-3.90	-4.82
Foreign-exchange reserves (bn\$)	60	56	57	67

Legend: compiled from “*Economist*”

The hegemonic decline of the USA will most probably set in slowly, cushioned by the present weaknesses of Japan and of the European competitors. But this coming world political and world economic period will be a period of violent conflict and confrontations.

2) Globalization marginalizes the Arab world

No question that the world economy is characterized at present, as happened in earlier periods, by a quantitative and qualitative jump in the degree of globalization (Arrighi and Silver, 1999; Boswell and Chase-Dunn, 2000; Cornia and Kiiski, 2001). Luttwak defines this present phase as '*turbo capitalism*' by private enterprise, liberated from government regulation, unchecked by effective trade unions, unfettered by concerns for employees or communities, and unhindered by taxation or investment restrictions. **Globalization** is generally understood to be the **growing transborder flow of goods, services, capital and labor**. The following UNDP 2000 numbers might illustrate this:

World exports are more than 21% of world GNP

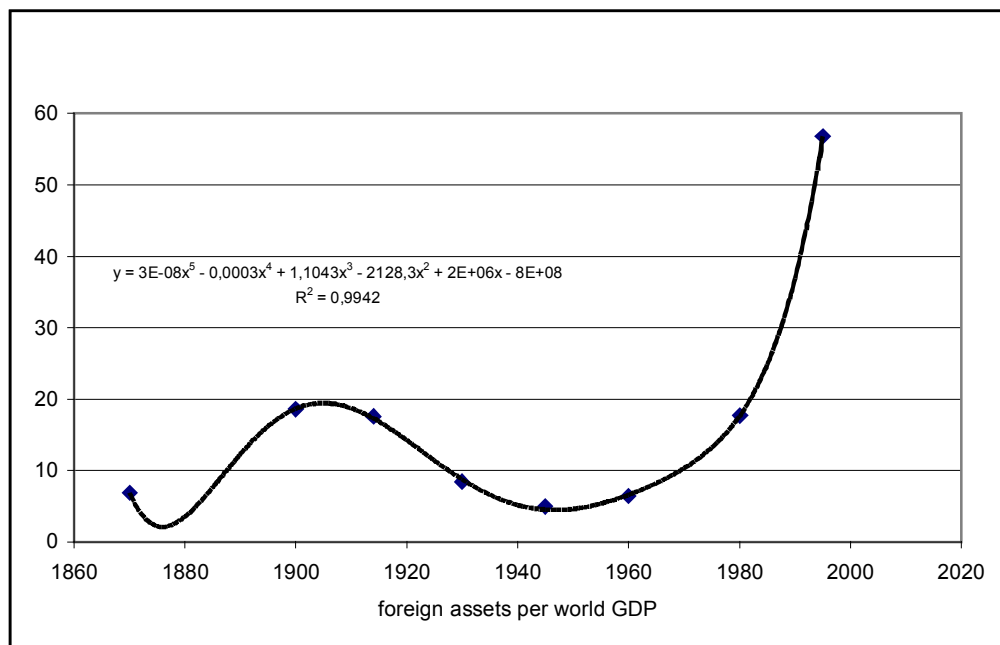
Foreign direct investments are above 400 thousand million \$

Daily currency exchanges are 1500 thousand million \$, i.e. the annual world currency trade is 18.6 times the yearly world GNP

International bank credits are above 4200 thousand million \$

There is a never-ending flow of literature on the interrelation between globalization and poverty, with a very wide array of research results. Nobody in his minds would negate that we are confronted with the phenomenon of globalization – just suffice to draw our attention here to the fact that foreign assets per world GDP fluctuated in the following fashion since 1870:

Graph 1: The Waves of Globalization since 1870 in the World Economy



Legend: our own compilation from Crafts, 2000

Summarizing the unique UNCTAD *World Investment Report* 2002 data base¹, freely available on the Internet, one is lead to the following conclusions:

1) there was a tremendous increase in the process of globalization in the 1990s,

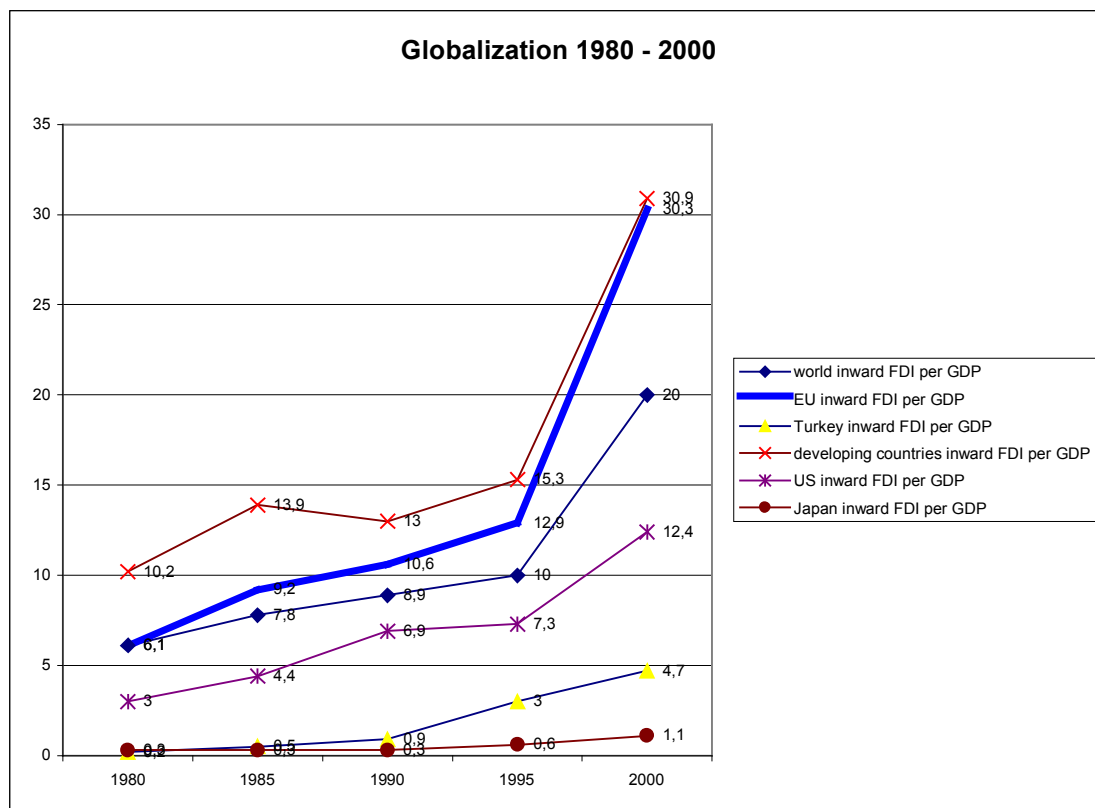
but

2) this process experienced a sharp decline in its growth rate already prior to the 09/11 attacks in New York, indicating a qualitative and quantitative reversal in the capitalist world economy, preceding the September 11 terrorist attacks.

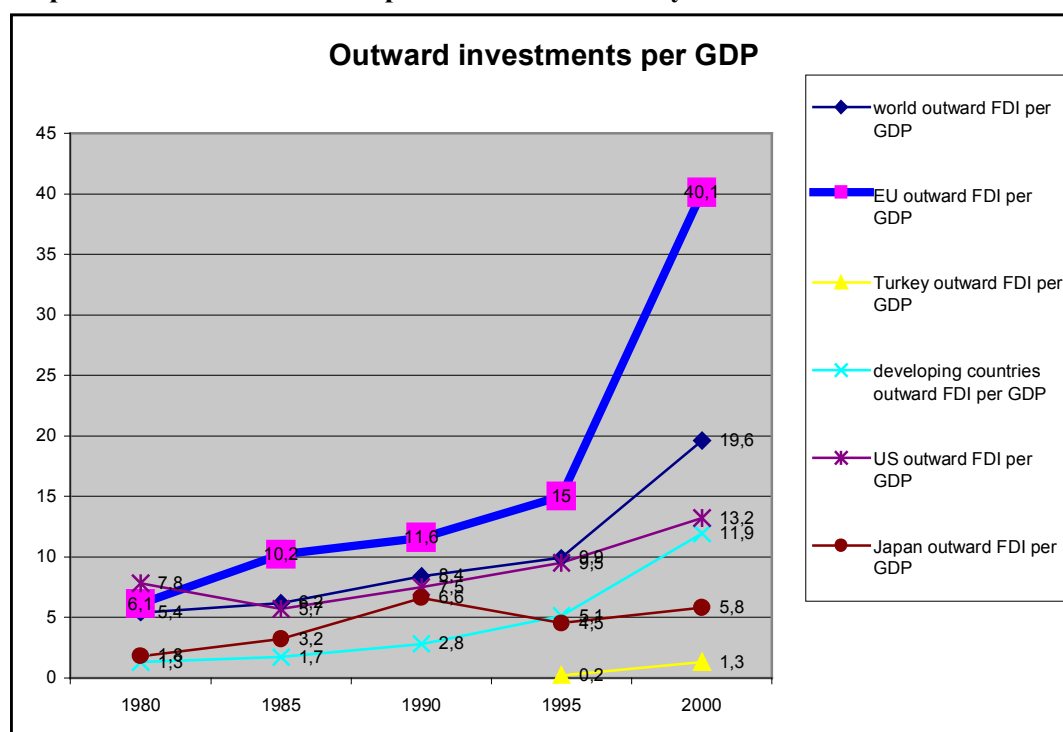
¹ http://r0.unctad.org/wir/contents/wir02_dl.htm

Both inward and outward investments increased tremendously until the year 2000, and declined sharply in 2001. Also the value of cross-border mergers and acquisitions declined sharply in that year. September 11 cannot alone explain the dramatic implosion of world-wide FDIs, other – world economic – factors of a beginning Kondratieff downturn after the Reagan and Clinton boom must have been also at play:

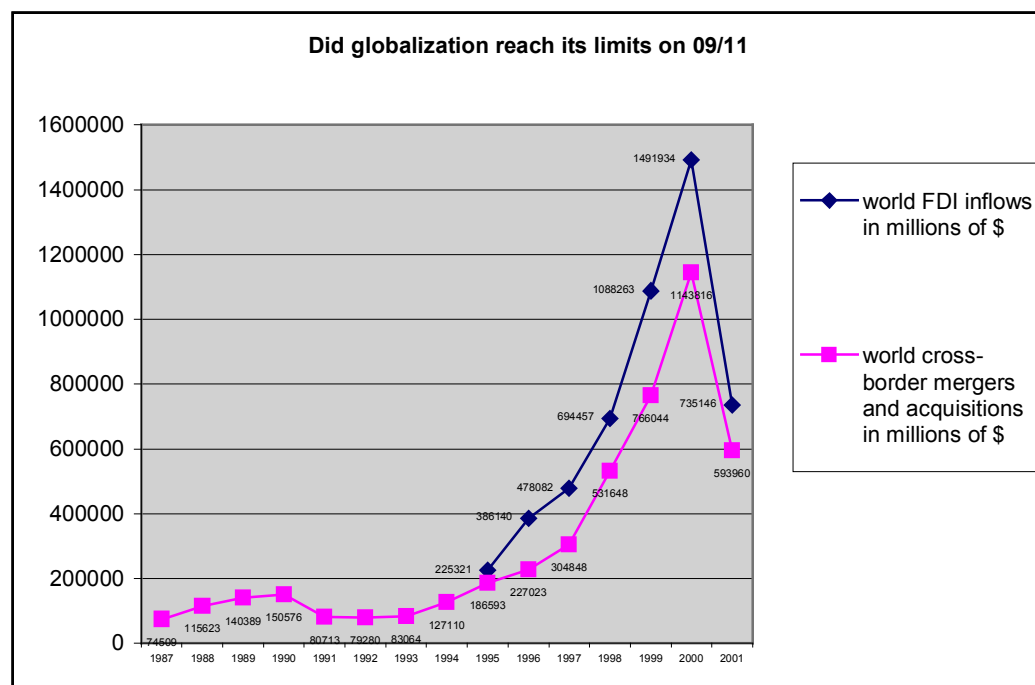
Graph 2: globalization 1980 – 2000 in the world system



Graph 3: outward investments per GDP in the world system



Graph 4: world FDI flows and world cross-border mergers halted in 2001, well before September 11



At the same time, East Central Europe and the MENA region – a World Bank shorthand expression for large parts of the Islamic world between Morocco and Iran – were the only world regions which saw an increase in the percentage of people affected by poverty between 1990 and 1999, and lost in value terms against the centers:

Table 3: The social effects of globalization, 1990 – 1999

<i>absolute and relative values</i>	Millions of people < 1 \$ a day 1990	% pop < 1 \$ a day 1990	Millions of people < 1 \$ a day 1999	% pop < 1 \$ a day 1999
East Asia and Pacific	486	30,5	279	15,6
Eastern Europe and Central Asia	6	1,4	24	5,1
South Asia	506	45	488	36,6
Latin America and Caribbean	48	11	57	11,1
Middle East and North Africa	5	2,1	6	2,2
Sub-Saharan Africa	241	47,4	315	49
Total	1292	29,6	1169	23,2
<i>absolute and relative values</i>	Millions of people < 2 \$ a day 1990	% pop < 2 \$ a day 1990	Millions of people < 2 \$ a day 1999	% pop < 2 \$ a day 1999

East Asia and Pacific	1114	69,7	897	50,1
Eastern Europe and Central Asia	31	6,8	97	20,3
South Asia	1010	89,8	1128	84,8
Latin America and Caribbean	121	27,6	132	26
Middle East and North Africa	50	21	68	23,3
Sub-Saharan Africa	386	76	480	74,7
Total	2712	62,1	2802	55,6
<u>1990 = 100</u>	Millions of people < 1 \$ a day	% pop < 1 \$ a day	Millions of people < 2 \$ a day	% pop < 2 \$ a day
East Asia and Pacific	57,4	51,1	80,5	71,9
Eastern Europe and Central Asia	400	364,3	312,9	298,5
South Asia	96,4	81,3	111,7	94,4
Latin America and Caribbean	118,8	100,9	109,1	94,2
Middle East and North Africa	120	104,8	136	111
Sub-Saharan Africa	130,7	103,4	124,4	98,3
Total	90,5	78,4	103,3	89,5
<u>changes since 1990</u>	Millions of people < 1 \$ a day	% pop < 1 \$ a day	Millions of people < 2 \$ a day	% pop < 2 \$ a day
East Asia and Pacific	-207	-14,9	-217	-19,6
Eastern Europe and Central Asia	+18	+3,7	+66	+13,5
South Asia	-18	-8,4	+118	-5
Latin America and Caribbean	+9	+0,1	+11	-1,6
Middle East and North Africa	+1	+0,1	+18	+2,3
Sub-Saharan Africa	+74	+1,6	+94	-1,3
Total	-123	-6,4	90	-6,5

Thus, the final balance of globalization since 1990 was the income impoverishment of Eastern Europe and the Muslim world in the Middle East and North Africa

Table 4: Changes in the social structure of the world system, 1990 - 1999

changes since 1990	% pop < 2 \$ a day
Eastern Europe and Central Asia	13,5
Middle East and North Africa	2,3
Sub-Saharan Africa	-1,3
Latin America and Caribbean	-1,6
South Asia	-5
East Asia and Pacific	-19,6
Total	-6,5

Source: our own calculations from ILO sources, 2003 (Report of the Director-General: “*Working out of Poverty*”. International Labour Conference 91st Session 2003, ILO, Geneva)

World system analyses – that started with the writings of the Austro-Hungarian socialist Karl Polanyi after the First World War - tended to confirm and expand the argument, that capitalism in the world periphery, like in the center (i.e. the US, Western Europe, Japan ...), is characterized by strong cyclical fluctuations, and there are centers, semi-peripheries and peripheries. The rise of one group of semi-peripheries tends to be at the cost of another group, but the unequal structure of the world economy based on unequal exchange tends to remain stable.

What is happening today is that two world regions – the former world of Communism, and the Arab/Islamic world dramatically lost in value terms.

Wallerstein tended to discard the “culturalist” explanations, offered by Huntington, and rather would support the argument that world economic position, and not culture, determines conflict. **Wallerstein** comes clearly up in defense **against demonizing the Arab/Islamic world** and thinks that opposing forces against the present world order will increase:

This brings me to my very last theme. Can the West do without a demon? I doubt it at the moment. The West is facing a massive crisis - not merely economic, but fundamentally political and social. The capitalist world-economy is in crisis as an historical social system. I cannot review here the crisis in detail, something I have done elsewhere on several occasions, but I raise these issues to insist that the consequence is a great deal of confusion and self-doubt in the West, a situation which always evokes the need for demons. This same confusion and self-doubt pervades the Islamic world, as is evident from the zigzagging tactics of all the main actors. The secularist forces are in disarray. The Islamist forces are not very clear, and not at all agreed among themselves, what their real political program is or ought to be. Once again, we should put this in the context of the world-system as a whole, and not limit our attention to the Islamic world. Systems that are in crisis enter into a chaotic period, out of which eventually emerges a new order. Their trajectories bifurcate, and it is intrinsically impossible to predict the branch that will prevail. In practice this means two things. Even small pressures in one direction or another may be decisive, since the system is far from equilibrium. And the social struggle is therefore extremely acute. The question that arises therefore is how the sides in the struggle for shaping the successor social system will align themselves. When the struggles were less acute, the lines seemed to be sharp. That is why we can speak of antisystemic movements within the modern world-system. These movements thought they knew what they were about and who their primary enemy was. So did the forces that defended the existing system. What the last twenty-five years has taught us all - I think of it as the lesson of the world revolution of 1968 - was that our vision of the struggle was deeply flawed that opponents were not real opponents, and allies not real allies, whichever side one was on. In this sense, the Islamists are profoundly correct in saying that we have to recalibrate our understanding of what are the issues that divide the existing

historical system and what are the alternative historical possibilities of a possible reconstructed world-system. Their critique is on the mark, but what of their solution? As I have said, I do not believe they are sure of what solution they really intend. Those of us who do not share some or most of their premises and are heirs of a more secularist tradition find it difficult to accept most of what they offer as first steps to a better future. What I do feel is that there is a need for a genuine dialogue, or multilogue, about the essential limitations of our existing world-system, and the parameters of our historical alternatives. Personally, I think the basic conflict is that between those who seek to establish/reestablish a hierarchical world order in which some are privileged and most others not and those who wish to construct a maximally democratic and egalitarian order. I think that each requires different kinds of value-systems to undergird it, and that the historic world religions may have much to teach us about what is crucial in such value-systems. The real problem is that among the secularist and the fundamentalist camps in all parts of the world, there are persons on both sides of what I anticipate will be the great politico-social struggle of the coming fifty years. I think myself that posing the issue as one of secularism versus fundamentalism is distracting us in a very major way from clarity of vision. And clarity, not demons, is what we need most at the present time. (Wallerstein, 1997: <http://fbc.binghamton.edu/iwislam.htm>)

The present wave of global politics and economics negatively affects the social balances in many countries. Several European countries, but also in Japan and even in the US, inequality and globalization are on the increase since 1980, as the present author could show in his recent works. Malaysia is practically the only major Muslim country with a falling rate of inequality since 1980:

Model (1) Strong tendency towards globalization (>0.5), tendency towards slow growth (<0.0), tendency towards rising inequality (>0.0) – the worst of all worlds under globalization. The rallying-point of the anti-globalization movements

Ecuador
Gambia, The
Latvia
Romania
Ukraine
Moldova
Bulgaria
Pakistan
Turkey
South Africa
Zambia
Brazil
Jamaica
Russian Federation
Zimbabwe
Mongolia

Model (2) Strong tendency towards globalization (>0.5), but tendency towards higher growth (<0.0), and tendency towards rising inequality (>0.0) – model: globalization with growth – at an inequality price. Countries that could tend towards stronger protest movements

China
Slovak Republic
Nigeria
Czech Republic
Bangladesh
Hungary

Panama
Mexico
Venezuela, RB
Philippines
Mozambique
Netherlands
Azerbaijan
Ireland
Portugal
Poland
Malawi
Honduras
United Kingdom
Ethiopia
Denmark
Tanzania
Sweden
Canada
Cote d'Ivoire
Israel
Austria
Trinidad and Tobago
United States
Bolivia
Peru
Lesotho
Argentina
Madagascar
Finland
Albania
Norway
Chile
Armenia

Model (3) Strong tendency towards globalization (>0.5), tendency towards higher growth (<0.0), and tendency towards falling inequality (<0.0) – model: redistribution with growth under globalization. Countries, whose experience contradicts the anti-globalization movements and theories

Germany
Belgium
Nepal
Costa Rica
Uganda
Dominican Republic
India
Croatia
France
Nicaragua

Model (4) Stronger tendency towards globalization (>0.5), tendency towards slower growth (<0.0), and tendency towards falling inequality (<0.0)

Korea, Rep.
Lithuania
Kyrgyz Republic
Thailand
Tonga

Model (5) tendency towards weaker globalization (> 0.5), tendency towards slower growth (<0.0), tendency towards rising inequality – the worst of all worlds for neo-liberal growth theory (failed anti-globalization)

Bahamas, The
Egypt, Arab Rep.
Cameroon
Congo, Dem. Rep.
Japan
Burundi
Colombia
Algeria
Italy
Morocco

Model (6) tendency towards weaker globalization (< 0.5), tendency towards higher growth (<0.0), but tendency towards rising inequality (>0.0) – model: “successful anti-globalization ” – at an inequality price

Spain
Australia
Portugal
Gabon
Uruguay
Central African Republic
Papua New Guinea
New Zealand
Slovenia
Tunisia
Greece
Malta
El Salvador
Kuwait
Barbados
Guatemala
Senegal
Seychelles
Iran, Islamic Rep.
Macedonia, FYR
Ghana
Rwanda
Syrian Arab Republic
Yemen, Rep.
Fiji

Model (7) tendency towards weaker globalization (<0.5), tendency towards higher growth (<0.0), and tendency towards falling inequality (<0.0) – model: “successful anti-globalization” – at no inequality price

Mauritius
Iceland
Sri Lanka
Togo
Liberia

Model (8) tendency towards weaker globalization (<0.5), tendency towards slow growth (<0.0), and tendency towards falling inequality (<0.0) – model:

Singapore
Indonesia
Kenya
Cyprus
Jordan
Haiti
Swaziland
Malaysia

It is no wonder therefore that one of the leading Muslim economists in the world today, Professor Syed Mansoob Murshed, presently the *Prins Claus* Chair Holder in Development and Equity at the Utrecht School of Economics (USE) in the Netherlands, has this to say on the issue of “*Islam and globalization*” (in Tausch/Herrmann, 2004):

Globalisation has always produced winners and losers, and both historical episodes of globalisation produced a backlash, involving both intellectual opposition as well as direct action. The intellectual critics of globalization came from the radical-left, then and now. The alternative ideology a century ago was socialism, something no longer viable, as it is widely regarded as a system that has been tried and failed. Islam is the only truly self-contained ideological opposition to the forces of globalisation and hegemonistic Anglo-American capitalism. This is not to say that the leadership in Muslim states (except Iran) resist the economic and political forces of globalisation. Ideological Islam, nevertheless, has replaced socialism in its role as the principal challenger of the capitalist/globalist dogma. Other movements, environmentalism for example, oppose globalisation on single issues. At another level, other religions, Hinduism, Buddhism and Confucianism have better adapted themselves to globalisation and capitalism.

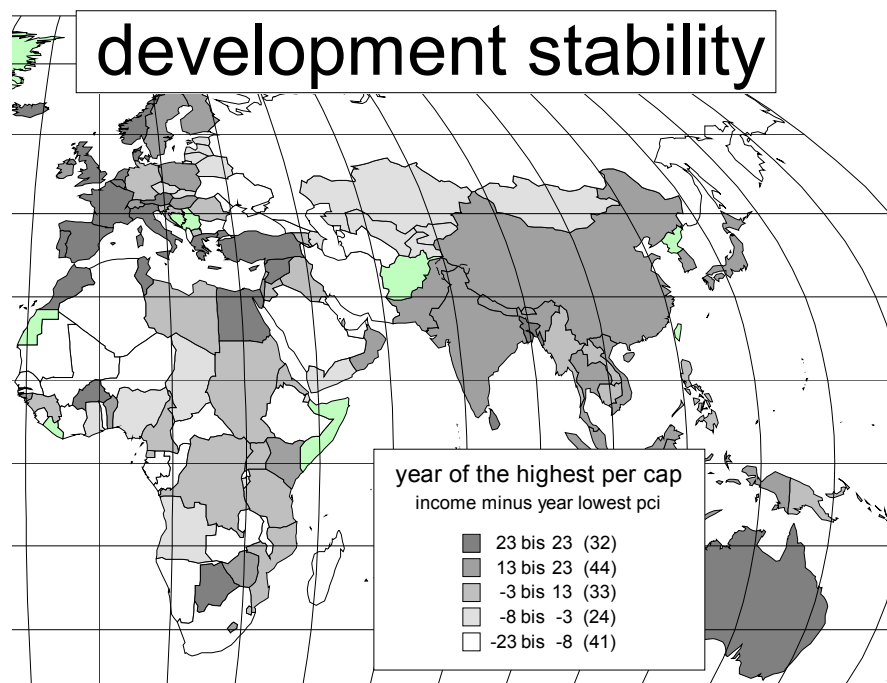
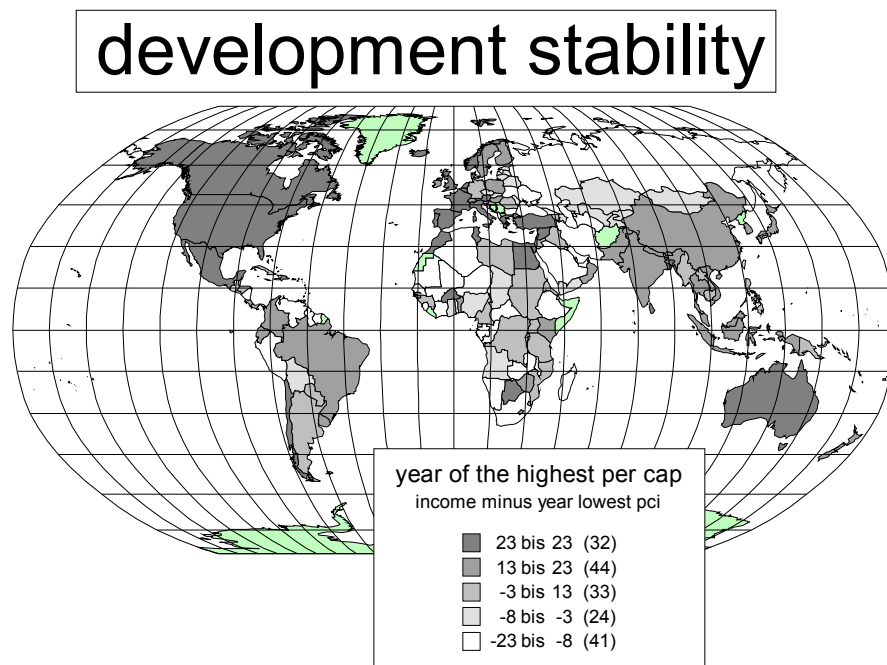
This is not the first time in history that a religion has challenged hegemonic power. As pointed in Milanovic, early Christianity played an important role in opposing Roman imperialism. The Roman Empire was, however, not global, as other parts of the civilised world, China, India and the Parthian/Sassanian realms were outside its sphere of influence.

Development instability in the Arab world

Ideally, nations should reach their highest real per capita income today, starting from a lower level of real per capita income earlier on in their history. The idea of a development reversal, i. e. progressive impoverishment in the course of history, contradicts everything that market economy optimism stands for. Yet it can be shown with UNDP data (2000) that the last quarter of the 20th Century, i. e. the period between 1975 and 1998, was a period of dramatic development discontinuities. Our – empirical – concept

of development stability is simply calculated by taking the UNDP figure for the year, when a nation reached its highest real per capita income since 1975, and subtracting that from the year, when the nation had its lowest real per capita income since 1975. Saudi Arabia, from 1975 to 1998, lost 18 out of possible 23 valuable years of development; while most capitalist western democracies lost no year in that period. About a third of the world's entire land surface suffered from such dramatic development turn-arounds since 1975:

Map 3: Development instability in the global system, 1975 - 1999



Legend: as in all maps in this essay, “bis” is the shorthand for “values ranging from ... to”. Missing values for Greenland, West Sahara, Liberia, Somalia, Bosnia, Yugoslavia, North Korea and Afghanistan.

Faced with the specter of such development reversals and even progressive impoverishment in value terms, brought about in the final analysis by the workings of the capitalist world economy that continuously redistributes the fruits of labor on a global scale to the benefit of the centers (unequal exchange, see below), it is no wonder that in the Islamic world, which is heavily, but not exclusively affected by this phenomenon, critical theories of development fall on a fertile ground.

The Arab scholar Samir Amin – who was born in Egypt (1931) – can be termed as the most influential Marxist thinker in the region. He is skeptical of capitalist development in the Arab world and a critic of development instabilities. Amin – who to this day frequently writes not only for Western academic and public media, but also for such journals as *Al Ahram Weekly* and Arab publishing houses, combines elements of various social theories. He himself recalls in his intellectual itinerary, published in 1994 that the transition from mercantilist capitalism to the era of the Industrial Revolution, the widening wage gap and the fall in the terms of trade of the periphery since around 1880 serve as starting points for his political economy. He shares many theoretical assumptions of fellow Marxist political economists but, on other points, his theory of global capitalist development, which he frequently also applied and tested in numerous Arabic country case studies, is indeed very different from the mainstream of contemporary neo-Marxist political economy.

For one, he shares with some neo-liberals like John Laughland the belief that the abolition of the gold standard by the United Kingdom in 1914 formed the true beginning of the period of inflation and facilitated the new forms of competition between capitalist monopolies. Economic cycles are the periodic expression of the imbalance between consumption and production. Apart from the development and critique of such economic theories as Harrods, Hicks and Kondratieff, Amin also focuses quite extensively on the equilibrium in the balance of payments. Amin offers – in development of his theory of the effects of the abolition of the gold standard – a concept of a dominant exchange rate ensuring a distribution of returns consistent with the structural adjustment of the weakest nations to the worldwide expansion of capitalism. This ‘structural adjustment of the weakest to the strongest’ opens up the debate on a theory of unequal power relationships in world capitalism and a critique of contemporary theories of equilibrium exchange rates.

Apart from this debate of exchange rates and what Amin terms the problem of ‘banking integration’ of the periphery, the author deals extensively with the role of the peripheries in global capitalist crises. The peripheries play a significant role in the worldwide expansion of capital. They allow the recovery of exports from the centers by speeding the break-up of the non-capitalist or pre-capitalist environments. There are various phases in the globalization process, ranging from the classic models of raw material exporting economies to the semi-industrialization of the periphery, and the re-incorporation of the countries of Eastern Europe. There is a persistent tendency at the periphery for a deficit in the external balance of payments. Pressure on the external balance of payments always follows the continual progression of absolute advantage benefiting the centers; the limited range of products available in the periphery; the pressure for repatriation of profits; and the social impact of the worldwide polarization in urbanization, inequalities of income distribution, increase in administrative costs, and so on. Amin mentions in this context what he calls the transfer of the multiplier effect of investment from the peripheries to the centers of the system, produced by the strong marginal propensity of the peripheries to import, and export the profits of foreign capital. The underdeveloped economy is not a backward economy, but a limb of the dominant economy. Such limbs you find – as Nafeez Mossadeq Ahmed shows so impressively in his book – throughout the region.

Several other aspects of his theory can only be sketched in a rudimentary way: the observation that in 9 out of 10 cases, devaluation leads to price increases that cancel it out; the necessity of what Amin terms the distinction between the balance on real account and the balance of bank capital movements. The structural deficits in the periphery are accompanied by the monetarization of sectors of the subsistence economy, the ruination of craftsmanship, the flows of foreign investment into the mining and export cash crop sectors; peripheral growth, under such conditions, Amin says, leads to ‘*miraculous hopes suddenly dashed*’. The overall dynamic of accumulation of the periphery is governed by exports, whereas in the

centers production of the means of production is linked to the production of goods for local consumption. In addition, there is according to the theory a strong causal link between this export orientation and the increasing inequality of income distribution in the periphery. Impoverishment of the peasants, enhancement of the position of the landowners, preference for investment in light industries, markedly low wages in relation to productivity, disarticulation of the economy and the juxtaposition of 'miracles' with large areas of social devastation are the final consequence of this structure.

In the final analysis, which leads Amin also to state that the bourgeoisie in the periphery is a 'comprador class', the polarization between the centers and the peripheries is the most important feature of the capitalist world economy. Rewards for labor are lower in the periphery than in the center for equal productivity. Secondly, capitalist self-reliance means the interlinkage between the production of capital goods and consumer goods; while in the peripheral social formation, the basic linkage is between exports and luxury consumption at home.

For Samir Amin (1997), ascent and decline in the one and single capitalist world economy is largely being determined in our age by the following 'five monopolies'

- 1) the monopoly of technology, supported by military expenditures of the dominant nations
- 2) the monopoly of control over global finances and a strong position in the hierarchy of current account balances
- 3) the monopoly of access to natural resources
- 4) the monopoly over international communication and the media
- 5) the monopoly of the military means of mass destruction

Let also recall that for Amin (1975), there are four main characteristics of the peripheral societal formation

- a) the predominance of agrarian capitalism in the 'national' sector
- b) the formation of a local bourgeoisie, which is dependent from foreign capital, especially in the trading sector
- c) the tendency of bureaucratization
- d) specific and incomplete forms of proletarianization of the labor force

In partial accordance with liberal thought, (i) and (iii) explain the tendency towards low savings; thus there will be

- 1) huge state sector deficits and, in addition, their 'twin'
- 2) chronic current account balance deficits

in the peripheral countries. High imports of the periphery, and hence, in the long run, capital imports, are the consequence of the already existing structural deformations of the role of peripheries in the world system, namely by

- a) rapid urbanization, combined with an insufficient local production of food
- b) excessive expenditures of the local bureaucracies
- c) changes in income distribution to the benefit of the local elites (demonstration effects)
- d) insufficient growth of and structural imbalances in the industrial sector
- e) and the following reliance on foreign assistance

As I already hinted at above, the history of periphery capitalism, Amin argues, is full of short-term 'miracles' and long-term blocks, stagnation and even regression. Dependency has, according to Amin, a commercial, financial and technological aspect. 'Rent seeking' - originally a neo-liberal concept, interpreted from the viewpoint of dependency theory, has its basis in big landholding, which throughout the periphery was introduced in the Orient and elsewhere, supported and upheld by colonial and post-colonial structures. Profitable investments in many periphery countries are - in part - constrained by the (emerging) unequal income distribution, which again determines that the local 'surplus' is being squandered by luxurious consumption, transferred abroad in the form of capital flight, or being used for

speculation. Past and present foreign domination and colonialism cause long-term structural imbalances. Countries as far apart as large parts of Africa and Asia were no national state during the important era of the Industrial Revolution. Their economies were geared to the needs of others, i. e. their colonizers. The structural heterogeneity between the different economic sectors on the one hand and the 'modern', export oriented sector, the medium sector and the 'traditional sector' in agriculture, industry and services became the main reason for the unequal income distribution in the countries of the periphery. Colonial trade, foreign investment in the 19th Century, import substitution in the first half of the 20th Century, and the new international division of labor that we observe from the middle of the 1960s onwards did not really change the structures of inequality in the world system. While mass demand and agricultural structures (Elsenhans, 1983, a disciple of Amin) were responsible for the transition from the tributary mode of production in Western Europe to capitalism from the Long 16th Century onwards, periphery capitalism was and is characterized by the following main tendencies (Amin, 1973 - 1997):

- 1) regression in both agriculture and small scale industry characterizes the period after the onslaught of foreign domination and colonialism
- 2) unequal international specialization of the periphery leads to the concentration of activities in export oriented agriculture and or mining. Some industrialization of the periphery is possible under the condition of low wages, which, together with rising productivity, determine that unequal exchange sets in (double factorial terms of trade < 1.0 ; see Raffer, 1987)
- 3) these structures determine in the long run a rapidly growing tertiary sector with hidden unemployment and the rising importance of rent in the overall social and economic system
- 4) the development blocks of peripheral capitalism (chronic current account balance deficits, re-exported profits of foreign investments, deficient business cycles of the periphery that provide important markets for the centers during world economic upswings)
- 5) structural imbalances in the political and social relationships, inter alia a strong 'compradore' element and the rising importance of state capitalism and an indebted state class.

Mass migration is for Amin (1997) part and parcel of the process of transnational capitalism. Migration is even part of the five pillars of international inequality (Amin, 1997):

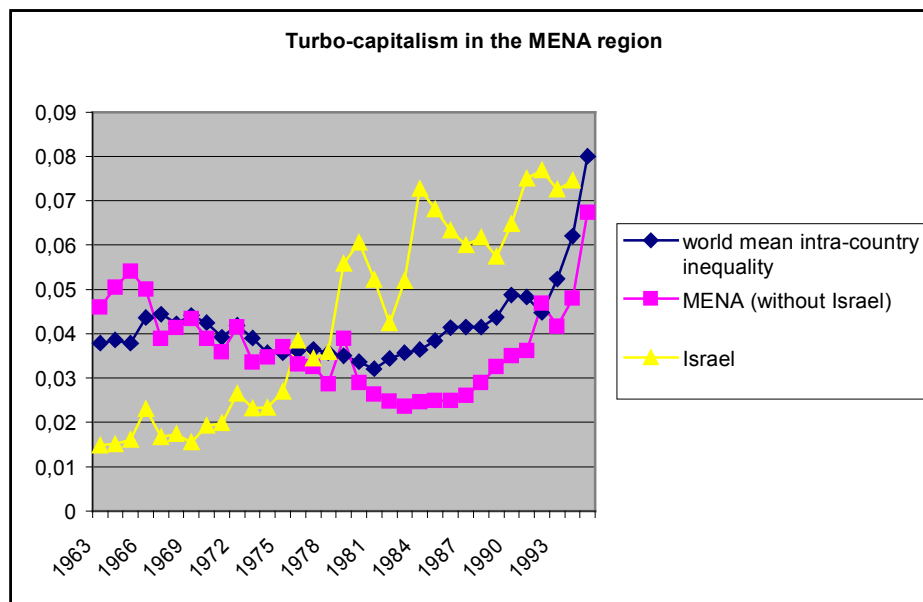
- a) unequal exchange: the gaps in wages are much greater than the gaps in productivities
- b) capital flight from the peripheries to the centers
- c) selective migration from the peripheries into the centers
- d) the monopoly position of the centers in the international division of labor
- e) the control of the centers over the earth's natural resources

The critique of the political economy in Arab countries, which Amin offers, is radical and sounds – at least to a European observer – often harsh. His earlier prognosis that '*Arab socialism*' will one day lead – just as in the former Soviet Union – towards a general opening towards capitalism, has come true; his predictions about the results of this opening sound very pessimistic. Amin, who is not only a theoretician of political economy, but also a development planner, an academic teacher and a political activist, combines in his more recent writings a rather *Gaullist* analysis of an alternative European project that is a critical force against the driving mechanisms of globalization and a Europe that serves as a model in terms of food-self-sufficiency and as a model of relative 'delinking' from the forces of global capitalism to the third world.

The *University of Texas Inequality Project (UTIP)* for inequality in over 70 countries of the world since 1963 shows indeed that the 1990s brought along a huge increase in inequality on a global scale, as measured by the Theil Index of Inequality of Sectoral Incomes.² This increase especially affected the Islamic world and the MENA region; inequalities in Israel also increased sharply:

² The total UTIP sample of countries with available data comprised: Algeria; Argentina; Australia; Austria; Bangladesh; Belgium; Bolivia; Brazil; Canada; Chile; China; Colombia; Costa Rica; Cuba; Czechoslovakia; Dominican Republic; Denmark; Ecuador; Egypt; Finland; France; Germany; Ghana; Greece; Guatemala; Haiti; Honduras; Hong Kong; Hungary; Iceland; India; Indonesia; Iran; Iraq; Ireland; Israel; Italy; Jamaica; Japan; Jordan; Korea; Kuwait; Macau; Madagascar; Malaysia; Mexico; Mexico; Netherland; New Zealand; Nicaragua; Nigeria;

Graph 5: globalization increases sectoral income inequality – the period 1963 - 1995



Source: our own compilation from University of Texas Inequality Project, University of Texas at Austin, <http://utip.gov.utexas.edu/>

For further notes on the **Theil measure** of inequality:

<http://www.worldbank.org/poverty/inequal/methods/measure.htm>

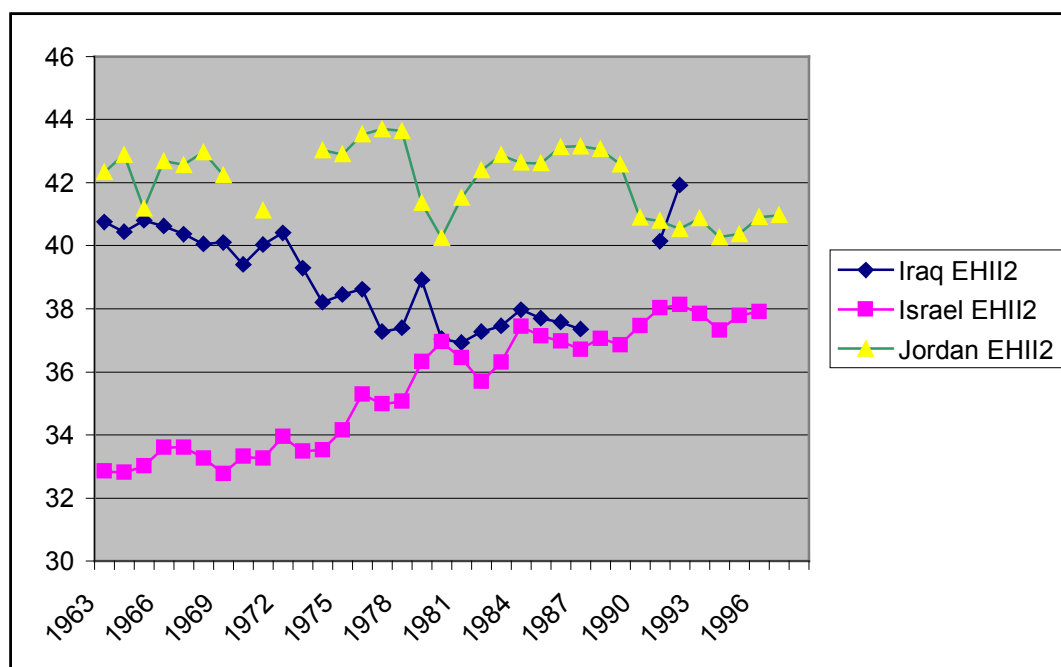
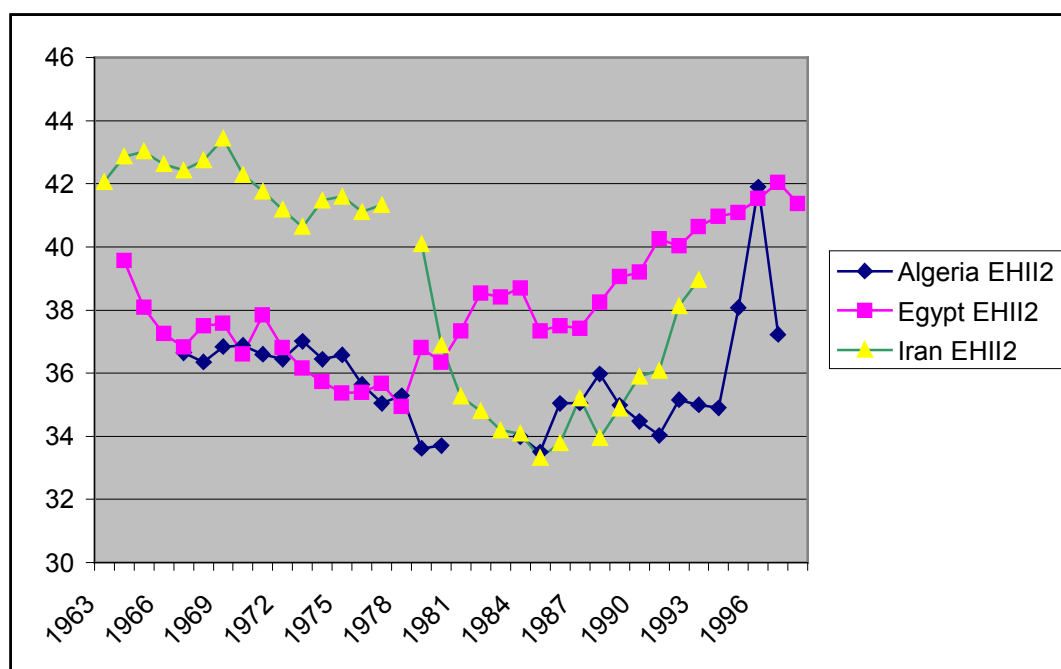
<http://www.economics.uni-linz.ac.at/Paper/papers/9614.htm>

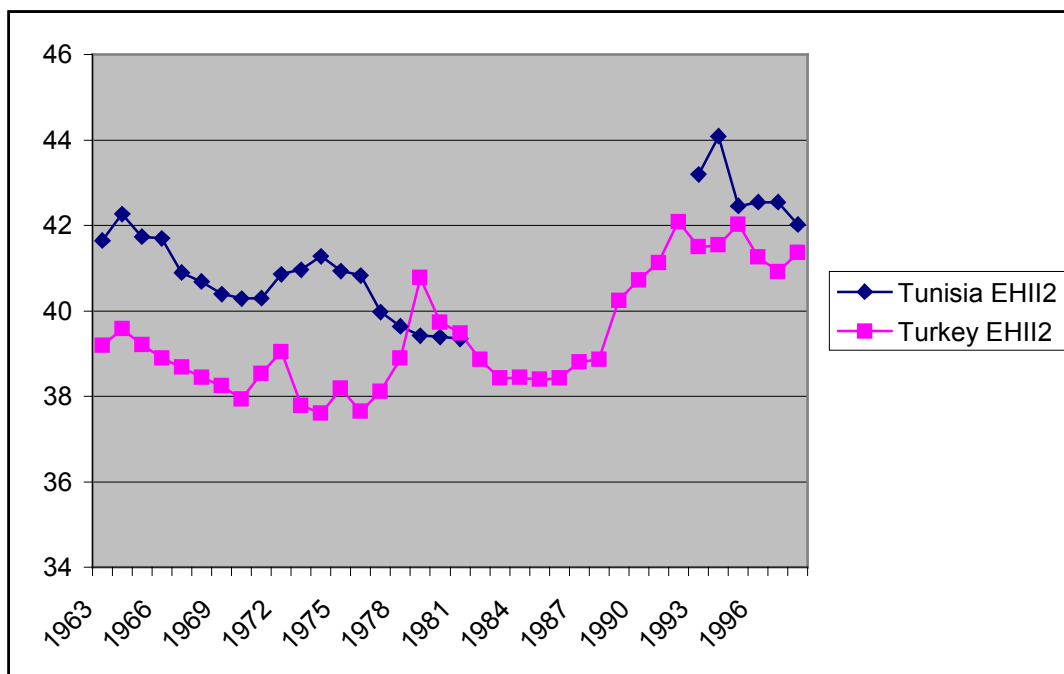
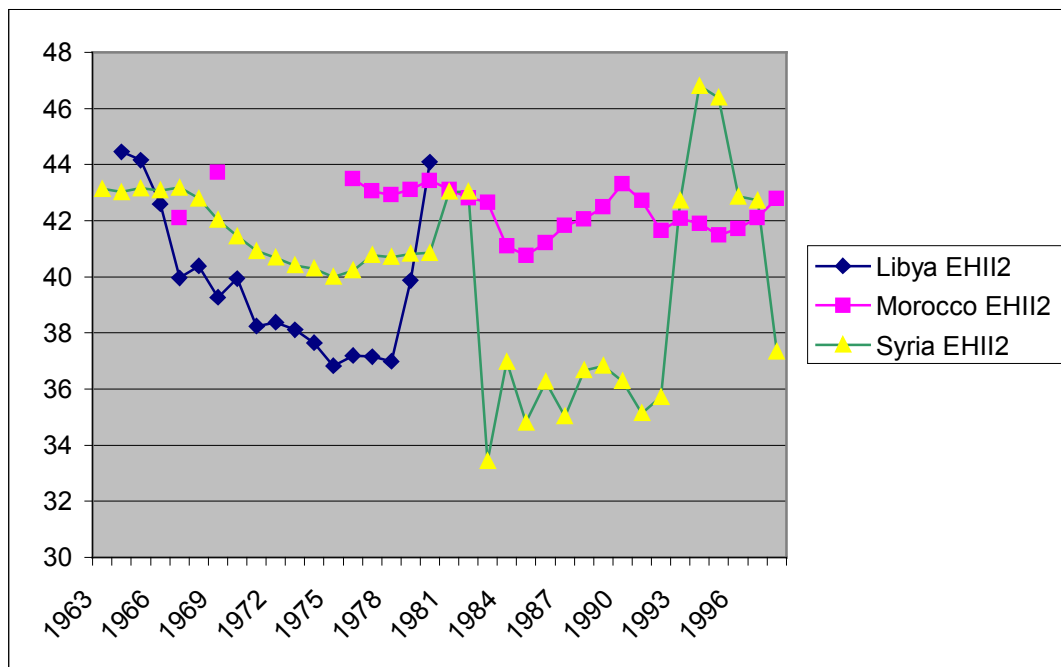
Nafeez Mosaddeq Ahmed's well-documented analysis of the geo-strategic "Bush-Sharon"-plan for the Middle East finds its equivalent in the available data about income polarization in the State of Israel – the rising costs for the Israeli population of the current state of affairs in terms of foregone social justice in a country that during the heyday of the Israeli Labor movement was once regarded as an oasis of social security and progressive social policies in the entire Mediterranean. The data series on the so-called "GINI"-coefficient of household income inequality, that ranges here from 0 to 100, and is called EH II 2 in our graphs, compiled by Professor James K. Galbraith from the University of Texas Inequality Project, and put into the following diagrams by us, shows this. Nafeez Mosaddeq Ahmed is to be specially praised for his well-balanced conclusions and analysis of the foreign policies of Prime Minister Ariel Sharon, based on dissenting, but very senior and well-informed Israeli sources. Yes to **Medinat Israel** – the secular *State of Israel* in the framework of the encompassing peace process (*Medinat Israel* being the Hebrew usage by Israeli politicians from David Ben Gurion to Yitzhak Rabin, referring to a democratic, secular Jewish state), but **political disagreement** with a concept of an *Eretz Israel*, in Likud usage also a Hebrew word for "*State of Israel*", but referring to the **biblical concept** of a **much larger and non-secular entity**. This was brilliantly analyzed by the Hebrew University's Professor Raffaella Del Sarto in her research paper on the Barcelona process under the title "*Israel's Contested Identity and the Mediterranean*" presented at the Institute of European Studies at the University of California in Berkeley, available for anyone under the Internet address: <http://ies.berkeley.edu/research/DelSartoIsraelMed.pdf>.

It is the poor throughout the region that have to bear the burden of the imperial strategic designs:

Norway; Pakistan; Peru; Philippines; Poland; Portugal; El Salvador; Singapore; South Africa; Spain; Sri Lanka; Sweden; Taiwan; Turkey; United Kingdom; United States; United States; Uruguay; USSR; Venezuela; Zimbabwe. Thus the following members of the Organization of the Islamic Conference were covered by the data: Algeria; Bangladesh; Egypt; Indonesia; Iran; Iraq; Jordan; Kuwait; Malaysia; Nigeria; Pakistan; Turkey

Graph 6: Income inequality in the “Middle East”





Arab nations do not need foreign occupations

In a forthcoming essay printed by Pluto Press in London and also to be found in Herrmann and Tausch, 2004, Johan Galtung provides lists of US-interventions in the world, based on Grossman and Blum, who in turn base their evidence, among alia on Congressional Records and the Library of Congress Congressional Research Service. The list is impressive indeed:

1) 134 small and big, global and domestic, US-interventions in the 111 years from 1890-2001, with an average of 1.15 interventions per year before the end of the Second World War, and an average of 1.29 after that. In the period after the end of the Cold War, there are 22 interventions, i.e. an average of 2.0 per year.

2) 67 global Interventions from 1945; in chronological order:

China 45-51, France 47, Marshall Islands 46-58, Italy 47-70s, Greece 47-49, Philippines 45-53, Korea 45-53, Albania 49-53, Eastern Europe 48-56, Germany 50s, Iran 53, Guatemala 53-90s, Costa Rica 50s, 70-71, Middle East 56-58, Indonesia 57-58, Haiti 59, Western Europe 50s-60s, British Guyana 53-64, Iraq 58-63, Soviet Union 40s-60s, Vietnam 45-73, Cambodia 55-73, Laos 57-73, Thailand 65-73, Ecuador 60-63, Congo-Zaire 77-78, France-Algeria 60s, Brazil 61-63, Peru 65, Dominican Republic 63-65, Cuba 59-, Indonesia 65, Ghana 66, Uruguay 69-72, Chile 64-73, Greece 67-74, South Africa 60s-80s, Bolivia 64-75, Australia 72-75, Iraq 72-75, Portugal 74-76, East Timor 75-99, Angola 75-80s, Jamaica 76, Honduras 80s, Nicaragua 78-90s, Philippines 70s, Seychelles 79-81, South Yemen 79-84, South Korea 80, Chad 81-82, Grenada 79-83, Suriname 82-84, Libya 81-89, Fiji 87, Panama 89, Afghanistan 79-92, El Salvador 80-92, Haiti 87-94, Bulgaria 90-91, Albania 91-92, Somalia 93, Iraq 90s, Peru 90s, Mexico 90s, Colombia 90s, Yugoslavia 95-99.

3) bombings in 25 cases:

China 45-46, Korea/China 50-53, Guatemala 54, Indonesia 58, Cuba 60-61, Guatemala 60, Vietnam 61-73, Congo 64, Peru 65, Laos 64-73, Cambodia 69-70, Guatemala 67-69, Grenada 83, Lebanon-Syria 83-84, Libya 86, El Salvador 80s, Nicaragua 80s, Iran 87, Panama 89, Iraq 91-, Kuwait 91, Somalia 93, Sudan 98, Afghanistan 98, Yugoslavia 99.

4) assassinations, attempted or successful, of leaders including heads of state, were tried in 35 cases, and assistance in torture was given in 11 countries

5) actions against leaders who once worked with the USA because they had an enemy in common: Pol Pot, Manuel Noriega, Saddam Hussein, Mohammed Aidid and Osama bin Laden.

6) 23 countries where the US was "perverting elections", and interfering with a democratic process:

Italy 48-70s, Lebanon 50s, Indonesia 55, Vietnam 55, Guyana 53-64, Japan 58-70s, Nepal 59, Laos 60, Brazil 62, Dominican Republic 62, Guatemala 63, Bolivia 66, Chile 64-70, Portugal 74-5, Australia 74-5, Jamaica 76, Panama 84, 89, Nicaragua 84,90, Haiti 87-88, Bulgaria 91-92, Russia 96, Mongolia 96, Bosnia 98.

This trail of US-interventions in the world can also be interpreted as an attempt to do away with peripheral and semi-peripheral socialism. The Arab socialist legacy from the days of Bandung, in combination with contemporary cautious liberalization strategies and the nature of Muslim civil society, in which income redistribution for religious purposes indeed takes place, make social development more viable than one would imagine under such adverse external conditions. In the Islamic tradition, social security always has an important place. According to the electronic website '*The Light of Islam*' we find the following description by Shaykh Shawkat Husayn:

The first instance of social security laws in Europe can be seen in the scheme of compulsory State insurance, which was introduced by Bismarck in Germany in 1883. Germany was followed by Austria and some other countries. By the beginning of this century most of the European countries initiated promulgation of laws in this direction. In America, except the Workman's Compensation Act passed in 1908, no significant legislation was enacted until 1935 when the Social Security Act was passed by Congress.

Contrary to the European tradition, in Islam, right from the beginning, fulfillment of the basic needs of the subjects was conceived to be the concern of the State. Zakat is the first institution of social security in Islam. Payment of 2 ½ percent of his/her savings of the zakat fund is one of the fundamental duties of a

Muslim. The State is responsible to collect zakat and make arrangements for its distribution. Non-payment of it is tantamount to waging war against the State. The Caliph Abu Bakr subjugated by force all those who refused to pay it.

Non-Muslims are also included in one of the categories of the recipients of zakat. While prescribing laws for the distribution of zakat, the Quran includes them among those 'whose hearts are to be conciliated'.

Some present day scholars also hold the view that poor and destitute among non-Muslims can be helped out of the zakat funds. It is reported that 'Umar interpreted the word masakin in the verse "Alms are for the poor and the needy (masakin) and those employed to administer the funds. . . ." as non-Muslims. Besides zakat, the Quran provides for collection of sadaqat³. Although sadaqah is not an obligatory duty like zakat, the Quran has given great Importance for it. Emphasizing the payment of sadaqah, the Quran goes to the extent of declaring; "You will never attain piety until you spend of what you love. "

The difference between zakat and sadaqah is that while the former is to be paid at a fixed rate, no such rate has been prescribed for the latter (...) Collection and distribution of sadaqah along with zakat are among the fundamental duties of the government.

If the funds raised out of zakat and sadaqah are insufficient to meet the needs of the poor, the State can impose other taxes to realize funds for this purpose. While prescribing the rules of zakat and sadaqah, the Quran emphasizes that the needs of those who are economically hard-pressed and unwilling to ask for help out of self-respect should be given priority. Thus it is clear that these funds are to be spent primarily to relieve people from immediate hardships without creating a class of social parasites. Besides Quranic institutions of zakat and sadaqah, there are several Prophetic traditions which hold the State responsible for the fulfillment of the basic needs of all its subjects. The Prophet (S) is reported to have said : "I am the guardian of a person who has no guardian". Another hadith declares: "The State is the guardian of a person who has no guardian". <http://home.swipnet.se/islam/articles/Non-Muslim.htm>

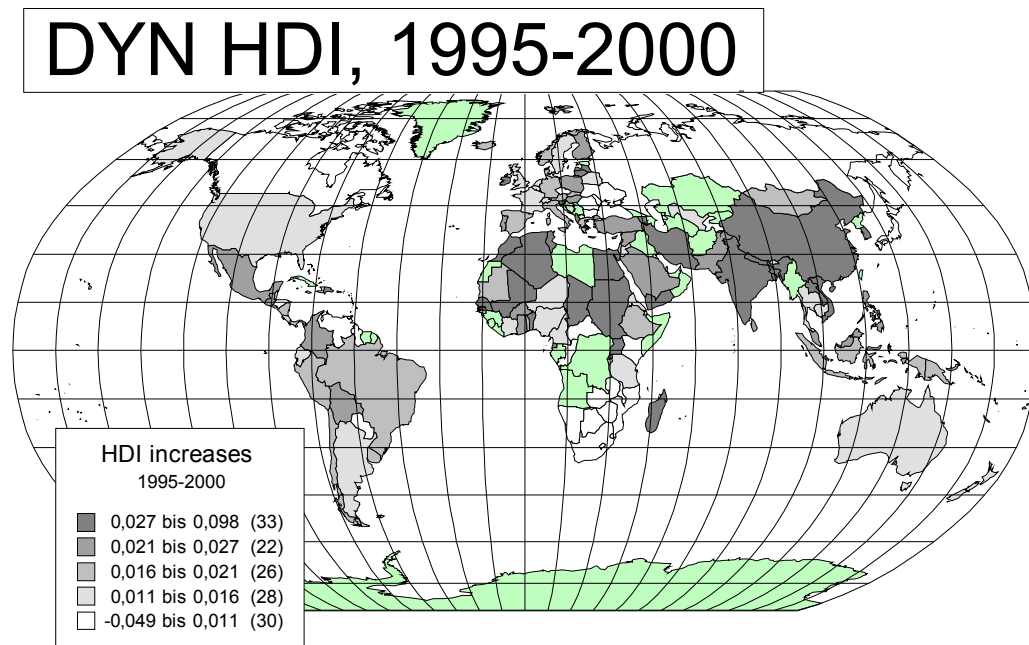
There is no justification to scornfully look at the Islamic world. In the end, it is this basic welfare net that gave the countries of the region certain **social pro-poor** structures in times of **economic** relative or absolute **impoverishment**. Both sides along what still might look like a cultural dividing line should begin to learn again from the very positive co-existence that existed in Spain before the Reconquista⁴ 1492. The peaceful coexistence and economic convergence between Europe and Islam could even become the basis of future European well-being in world society. Zakat and Sadaqah would serve well the poor in Latin America, Southern Africa and Eastern Europe, and proposals for a "Tobin tax" even could be interpreted as a kind of contemporary, global "zakat".

Human development (still the best yardstick of social development, world-wide) increases in the region were among the most rapid in the entire world:

³ Charity

⁴ It is important to remember that the world of Islam provided a safe heaven of refuge for Spain's Sephardic Jewry, which was expelled in 1492, ending the coexistence between the three monotheistic religions that existed in Spain before under Muslim rule. For an excellent brief summary in Djudeo-Espanyol, written by the director of the 'Ladino' broadcasts of Kol Israel, Israel's state radio, Moshe Shaul, under the title: *LA KONVIVENCIA ENTRE LAS TRES KULTURAS EN ESPANYA. ENSHEMPLO I MODELO PARA MUESTROS DIAS* on these issues, see also: <http://www.shamash.org/listarchives/sefarad/konvvnasa.txt>. The author of the present afterword hopes and believes that – in the end – this vision of coexistence between the world religions will prove stronger than the negative visions so prevalent nowadays.

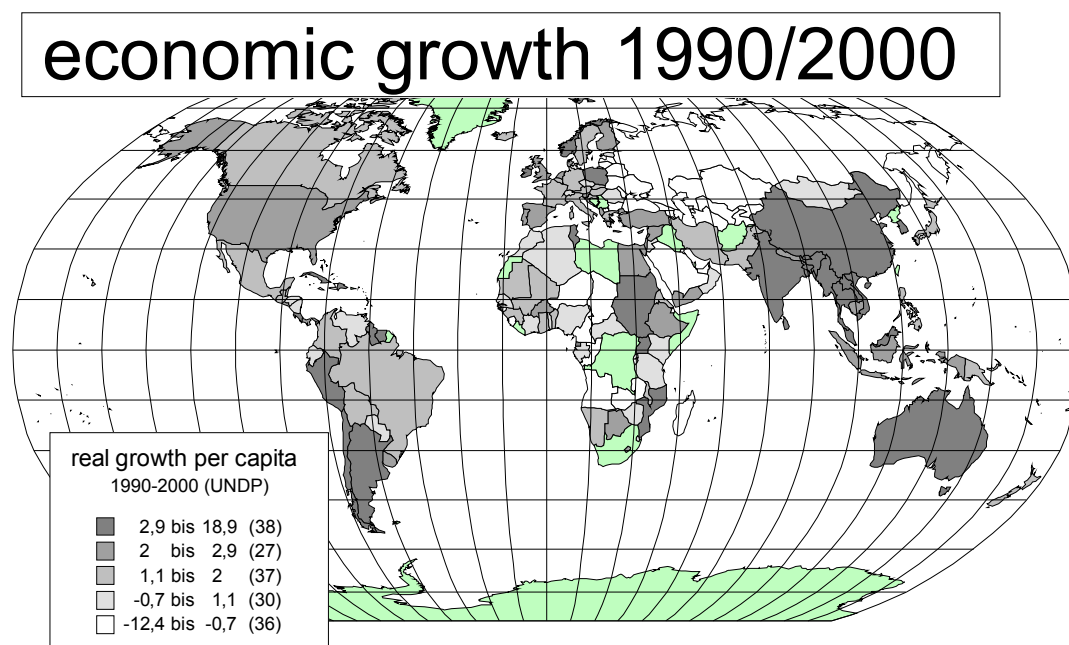
Map 4: Human development increases in the world system



Legend: as in all maps in this essay, “bis” is the shorthand for “values ranging from ... to”. Missing values for Greenland, several countries in Caucasia, the Balkans, and the Islamic world as well as in Africa

Also economic growth in the region was not as negative as one might assume:

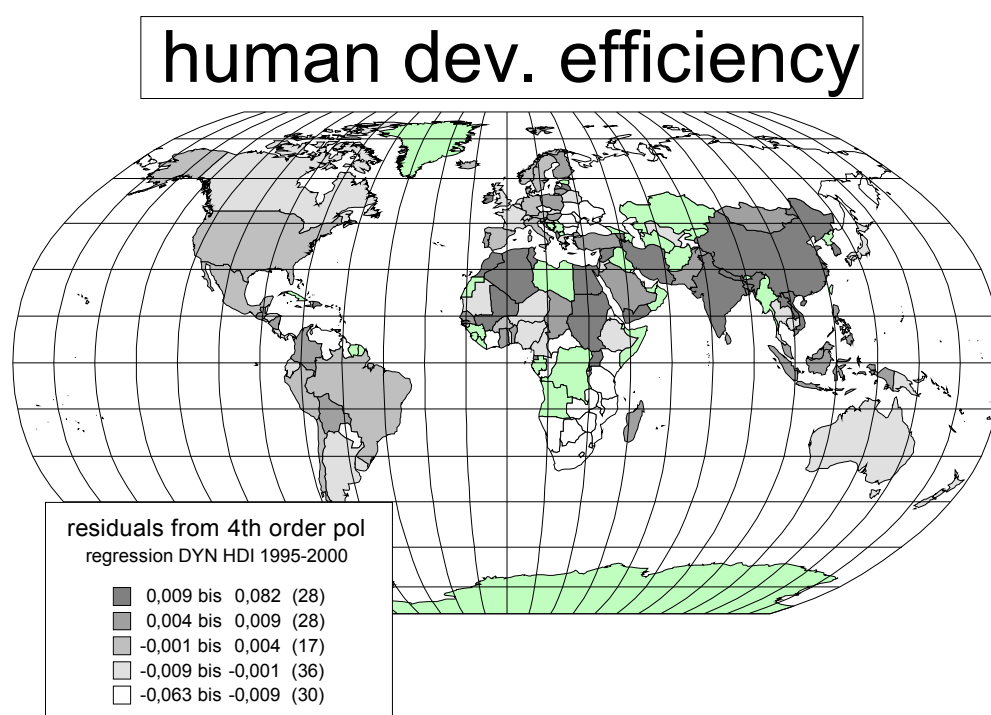
Map 5: economic growth in the world system



Legend: as in all maps in this essay, “bis” is the shorthand for “values ranging from ... to”. Missing values for Greenland, West Sahara, Liberia, Somalia, Bosnia, Yugoslavia, North Korea and Afghanistan.

Even allowing for the fact that human development increases over time are in mathematical-statistical terms a fourth-order polynomial function of already achieved human development levels, it emerges that the efficiency of human development policy in the region (residuals from this 4th order polynomial function) was among the best in the world. Thus, in the long run, the European Union would only have to gain from a more bold and forward-looking policy of applying the Copenhagen criteria to the Arab *mezzogiorno* of Europe. The map of the best performers on a world scale is clear – most of the Arab nations already today show a great dynamism in their human development, irrespective of levels achieved in 1995:

Map 6: human development efficiency in the world system



Legend: “Bis” is shorthand for “ranging from to”

It has been shown in this afterword that Europe in the long run could gain a lot from looking more positively even at very long-term prospects of EU-membership of the Southern Mediterranean neighbors, or at least extending the European Economic Area (EEA) under the provision of the implementation of the European Union’s internal market provisions (*“Acquis Communautaire”*) in the countries concerned. “Arab” or “Islamic” “development efficiency” in quantitative terms suggests a more positive approach than has been hitherto suggested in the literature.

America’s visions are – as shown by Nafeez Mosaddeq Ahmed – different indeed. This is a book, written by a political scientist; for the world system scholar, looking at the same phenomena of foreign domination, the word “Washington Consensus” should be mentioned, not to criticize, but simply to widen the perspective. Conventional wisdom of the “Washington Consensus” – put simply - has it that it is always the periphery or semi-periphery country that got it all wrong during a crisis, like in East Asia, Russia or recently in Turkey and that a good combination of economic freedom, privatization, tight monetary policies and above all private foreign direct investment will “fix” it, once the forces of the market are properly at work. This package, the critics maintain, has left a trail of disaster behind it, the

world over. The "Washington Consensus" has been summarized by Raffer (pp. 305 - 323 in Tausch, 2003) as to represent the following policy priorities:

1. Fiscal discipline: a primary budget surplus of several percent of GDP
2. Public expenditure priorities: defined as re-directions of public expenditures towards fields with high economic returns such as primary health and education
3. Tax reform: cutting marginal tax rates
4. Financial liberalization: moderately positive real interest rates and the abolition of preferential interest rates (such as for developmentally useful or socially demanded projects)
5. Exchange rates: unified and competitive
6. Trade liberalization: abolishing quotas (replacing them by tariffs) and reducing tariffs to a uniform low level within three to ten years.
7. Foreign direct investment: equal treatment with domestic firms. The World Bank calls this the elimination of barriers. This principle is also enshrined in the WTO treaties.
8. Privatization
9. Deregulation: abolishing regulations aiming at achieving developmental or social aims
10. Property rights: must be guaranteed.

So, while in objective terms the region of what the World Bank calls the "MENA countries" (Middle East and North Africa) as well as "Central Asia" over the last years had a very rapid human and social development, more pessimistic views are commonplace.

The US Government's *World Factbook 2001* – and there is nothing there in terms of "secrecy", and anyone can read it on the Internet, is a good example for such a kind of analysis that stresses the need for tight monetary discipline, structural adjustment and continued and increased inflows of foreign direct investments (<http://www.bartleby.com/151/a61.html>).

An also publicly available US CIA study by Paul Jabber even says about the region today:

Weak and continuously deteriorating macro-economic conditions in the region are limiting the regimes in their ability to muster support from important constituencies. The early and mid-1990's marked a period of economic promise. Several trends and events combined to offer hope that a much-needed regional economic takeoff was finally under way. They included the end of the Lebanese civil war; the onset of the Oslo peace process with its promise of eventual peace and Arab-Israeli joint venturing in trade and investment; relatively stable oil prices; significant progress on the part of important Arab economies such as Egypt's in debt-restructuring and budgetary rationalization; and the emergence of several viable local stock markets that encouraged private sector capital formation and inflows of foreign investment on the back of a promised wave of privatization of public enterprises.

Grim realities have reasserted themselves in recent years. Not only have peace prospects been dealt a serious setback; continued military confrontations and terrorist activities throughout the Levant and in Egypt have seriously constricted key revenues from tourism and frightened foreign capital away; GDP growth rates have not kept pace with population increases; educational systems and other infrastructural components have deteriorated (with the partial exception of telecommunications); and, not least, the global economic slowdown has seriously diminished oil revenues.

The looming possibility of a major influx of Russian and Central Asian oil and gas supplies into world markets in the years ahead is exacerbating anxieties in the Arab Gulf over future revenue prospects. Although in the past it was easy to draw a clear distinction between Arab haves and have-nots in terms of oil revenues, per-capita income, economic growth rates and other indicia of development, the picture has become significantly more muddled. Saudi Arabia provides the prime example of the deteriorating trend in regime stability. This is not because the overthrow of the House of Saud is in any way imminent. In relative terms, however, of all pivotal Arab governments, in one short decade the Kingdom has traveled the furthest down the road from unassailable stability and unquestioned legitimacy into a social and economic landscape fraught with shadows and potential pitfalls. (Jabber, 2001)

The Arab nations – victims of unequal exchange

Things are however different in reality. The present book by Nafeez Mosaddeq Ahmed shows the **political** conditions in the region and their long-term developments, that culminated in the present Iraq war. In terms of quantitative the analysis of capitalist world system that determine, like the political conditions, the perspectives of the region, we can add the following determinants of the conditions in the region. Among the many available variables, we just mention **MNC penetration** (multinational corporation penetration, i.e. foreign direct investments per GDP), **unequal exchange** and the **resource balance** as the three “master variables” of dependency in the region.

The calculations of unequal exchange, that Gernot Kohler and I presented, are based on trade data from U.N. trade statistics and on purchasing power parity data from the World Bank (and Penn World Tables). The underlying theory and method are explained in our book (2001).

Losses or gains from unequal exchange are calculated as the difference between a "fair value" of exports/imports and the "actual (unfair) value" of exports/imports. The estimation is based on

- a) the exchange rate deviation index (also designated as "ERD" or “ERDI” in the literature)
- b) the volume of exports from a low- or middle-income country to high-income countries (valued at the actual exchange rate)

Professor Amin published an estimate of the magnitude of unequal exchange between developing and advanced countries for the year 1966. According to Amin the global total of unequal exchange in 1966 was US \$ 22 billion (22 thousand million) at exchange rates of 1966 (Amin 1976: 144). Kohler's estimate for 1965 is US \$ 19 billion. Amin's and these new estimates are thus very similar even though they are based on two different methods of estimation. In the 1970s, 1980s and 1990s this phenomenon practically exploded:

Table 5: Historical Trend of Unequal Exchange 1865 - 1995

	Unequal Exchange as a		
	% of World GDP	% of Periphery GDP	% of Center GDP
1865	0 %	0 %	0 %
1965	0.9 %	- 1.8%	+1.4%
1995	6.6 %	-24 %	+8 %

Kohler and I started from the assumption of the reality of the process of unfettered globalization as the basic characterizing feature of the world economy at the end of the millennium, and showed the statistical influences of unequal exchange on various development indicators in multivariate models. ‘Emerging markets’ under such circumstances become an almost Orwellian misnomer; instead, we should speak of ‘submerging markets’, allowing for the fact, that more than five hundred million people in such ‘emerging markets’ around the globe suffer today from the severest recession since the Great Depression in the 1930s. We also dealt with an issue, that was touched upon by Jeffrey Kentor from Johns Hopkins University in a publication (1998) and that also features prominently in the book, written by Nafeez Mosaddeq Ahmed: the very long-run effects of political foreign domination on the “host” countries in the periphery and semi-periphery.

Transnational capital penetration and unequal exchange have at best only a mixed results for the host countries concerned during the development marathon 1960 - 2000, with inequalities and social imbalances rising in the long run. The successive crises - or let's term them abysses - that shattered entire continents since the mid 1970s, spreading the burden of misery from Latin America to Africa, Asia and Russia, brought home to the world and to millions and millions of human beings that their livelihoods are determined by the ups and downs of the world market and the forces of the international economy.

Unequal exchange is THE determining mechanism of the world economy. The amount of unequal exchange (global exploitation, transfer value) can be calculated according to the new formula presented in our book (2001), namely:

$$T = d \cdot X - X$$

where "T" means transfer value (gain or loss of value as a result of unequal exchange); "X" means exports of a low-income country to the high-income countries in the world economy; and "d" means exchange rate deviation, also called ERDI (exchange rate deviation index). The structures of political domination, shown by Nafeez Mosaddeq Ahmed, coincide with the economic ones.

According to Gernot Kohler's estimates, the annual losses suffered by the major Muslim countries in the world system due to the workings of unequal exchange are enormous. The centers reap ever larger benefits from the exploitation of the periphery:

Table 6: Unequal exchange in the world system – Muslim states compared to the centers of world capitalism

Country	UNEQUAL EXCHANGE	
	gain (+) loss (-)	
	1965	1995
	% of GDP	
Algeria	.	-47%
Bahrain	.	-11%
Bangladesh	.	-33%
Egypt	-1%	-21%
Indonesia	-8%	-52%
Iran	-19%	.
Iraq	-41%	.
Jordan	0%	-8%
Kuwait	.	-13%
Malaysia	-12%	-79%
Morocco	-4%	-28%
Oman	.	-23%
Pakistan	-6%	-27%
Qatar	.	-4%
Saudi Arabia	-1%	.
Syrian Arab Republic	-1%	-55%
Tunisia	-2%	-56%
Turkey	-3%	-10%
United Arab Emirates	.	0%
NON-OECD SUMMARY		
number of countries	88	97
average (arithmetic)	-8%	-33%
unequal exchange as % of NON-OECD GDP	-1.8%	-24%

GROUP = OECD (N=19 countries (1965) and 22 countries (1995))

Country	UNEQUAL EXCHANGE	
	1965	1995
	% of GDP	
Australia	+1%	+6%
Austria	+1%	+9%
Belgium-Lux	+4%	+14%
Canada	+1%	+5%
Denmark	+2%	+9%
Finland	+4%	+9%
France	+2%	+7%

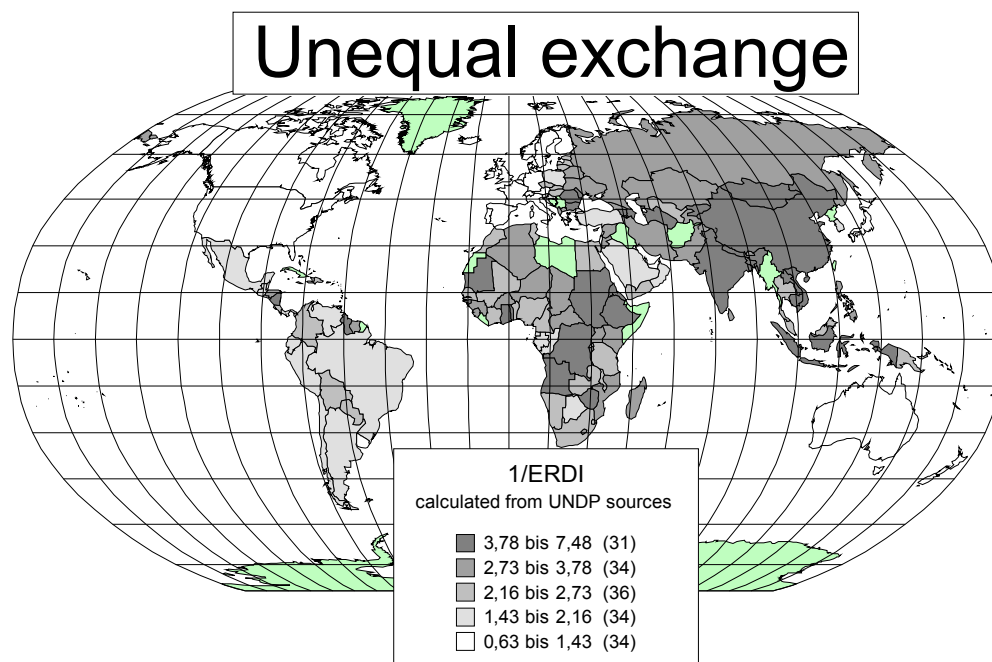
Germany, Fed R	+2%	+11%
Iceland	+8%	+6%
Ireland	+2%	+13%
Italy	+1%	+6%
Japan	+1%	+11%
Korea, R (note a)		+10%
Netherlands	+2%	+17%
New Zealand	+1%	+6%
Norway	+3%	+7%
Portugal (note a)		+4%
Spain (note a)		+6%
Sweden	+3%	+7%
Switzerland	+1%	+7%
United Kingdom	+3%	+6%
United States	+1%	+6%

OECD SUMMARY (note a)

number of countries	19	22
average (arithmetic)	+2%	+8%
unequal exchange as		
% of OECD GDP (a)	+1.38%	+8%

Unequal exchange, we stated, is strongest in the periphery, and weakest in the centers, with the semi-periphery showing medium levels of exposure to unequal exchange. Our map about this phenomenon might be even termed to be an update of this Wallersteinian concept to the realities of the turn of the Century and Millennium. Each of the following maps neatly shows that most of the Arab world is typically a part of the semi-periphery:

Map 7: unequal exchange in the world system



Legend: unequal exchange = GDP in purchasing power parities divided by GDP at current exchange rates. “Bis” is shorthand for “ranging from to”

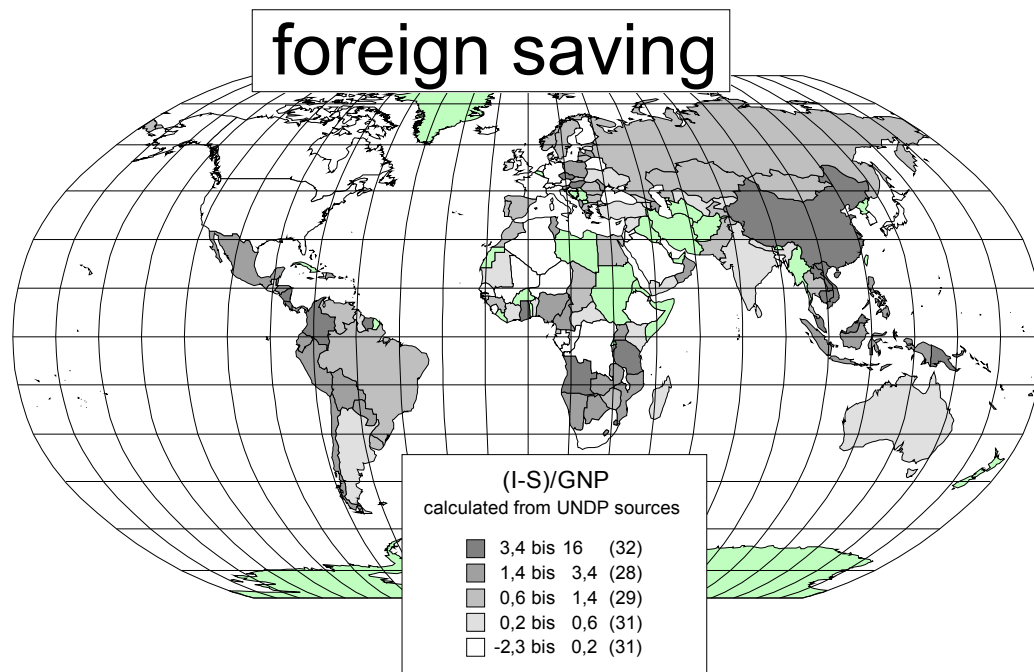
According to Kohler in his latest article, to appear in Herrmann/Tausch, 1994, first, war and armed violence tend to increase unemployment in Arab economies, but they account only for some portion of the existing unemployment. The effect is, partly, direct - through destruction of economic assets and reduction of economic activity, and, partly, indirect. For example, the low rate of foreign direct investment (FDI) in the region may be influenced by the actual and perceived political-military instability of the region. Secondly, the natural wealth of some Arab countries with respect to oil and gas is no guarantee for full employment. High unemployment rates can be found in both oil exporting and oil importing Arab economies. Thirdly, unemployment rates in Arab economies have a strong correlation with GDP growth rates. The correlation between a 6-year average of the national GDP growth rate with the national unemployment rate is $r=-0.8$. Global economic policies affect unemployment in Arab economies through their effect on national GDP growth rates.

The impact of the world system and of global economic policies on GDP growth in the Arab region can be described, according to Kohler, as follows. From 1961 to 1980 the Arab region had a high average GDP growth of 7.2 percent per annum. This trend rate dropped, around 1980-81, to a much lower trend rate. From 1981 to 1999, average GDP growth of the region was 2.4 percent per annum. This historical shift in the economics of the Arab region is closely related to the restructuring of the world political-economic regime around that time. Margaret Thatcher became prime minister of Britain in 1979; Ronald Reagan president of the United States in 1980; both launched their neo-liberal revolutions in domestic and international economics. This was also the time of the second oil price shock, causing high rates of inflation. Inflation fighting rose to the top of the agenda of U. S. and OECD economic policies. One of the main instruments of inflation fighting was a high interest rate. For example, U. S. real interest rates were, on average, 1.9 percent between 1961 and 1980. In contrast, the average U. S. real interest rate between 1981 and 1999 was 6 percent. These radical changes in global economic policy, known as Thatcherism, Reaganomics, New World Order, or global neo-liberalism, induced the observed slowdown in Arab economic growth after 1980 (and in other countries as well). Another effect of global neo-liberalism on Arab (and other developing) economies was a rapid deterioration of the value of their currencies after 1980, which affects the export earnings of these countries.

The Arab Human Development Report 2002 recommends a mobilization of the human potential of the Arab world. Kohler's analysis suggests that, in addition to that, unemployment in the Arab world is also a world-system problem - as is unemployment in Europe. It follows that the fight against unemployment in Arab economies could be strengthened by a reform of the world political economy - in the sense of moving away from global neo-liberalism to global or regional Keynesianism.

Foreign saving, for its turn, is strongest in many parts of Latin America, Southern Africa, in the "new Europe" and in China and in several countries of Southeast Asia:

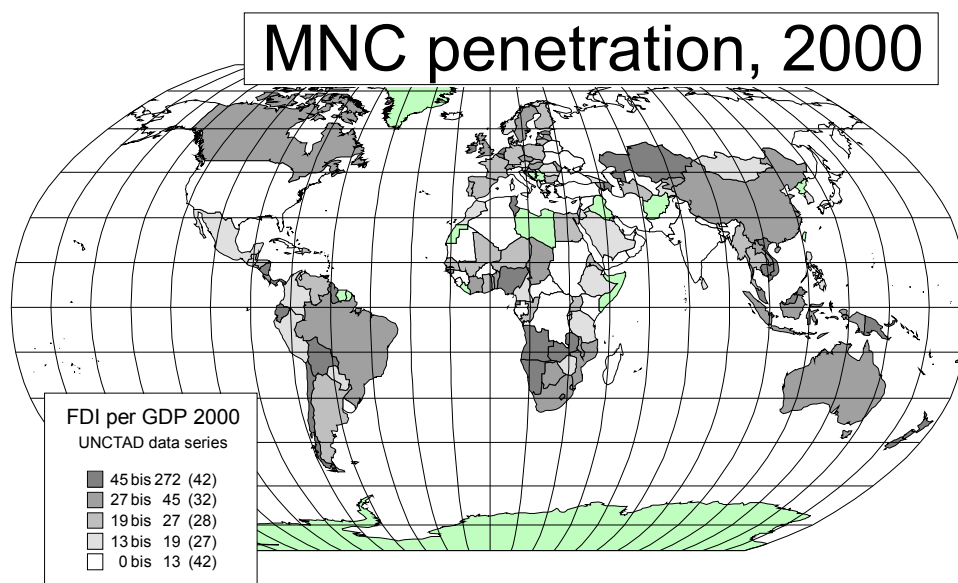
Map 8: foreign saving in the world system



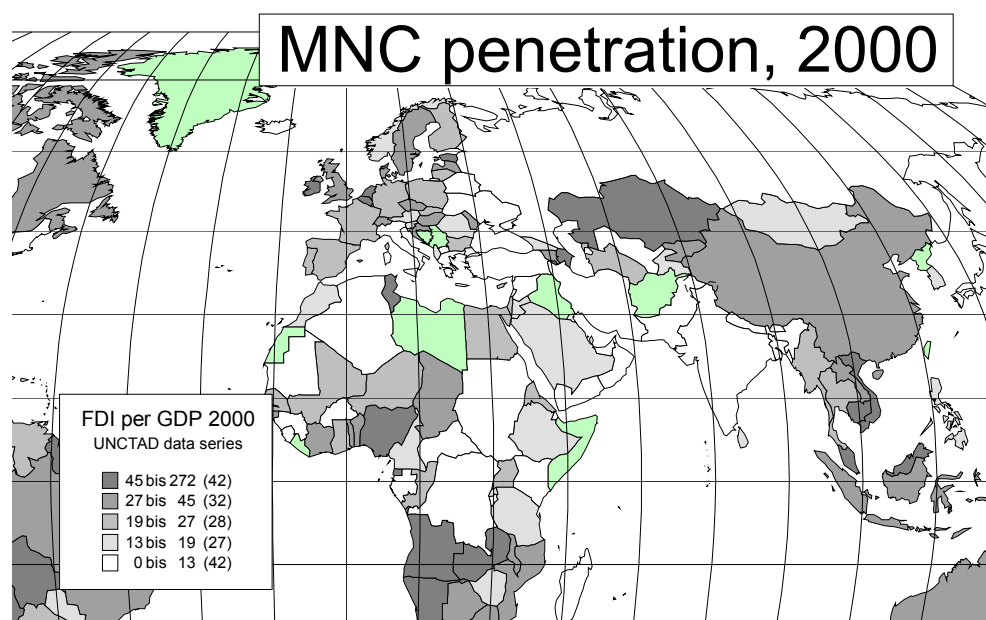
Legend: “Bis” is shorthand for “ranging from to”

In general terms, we furthermore observe today high levels of MNC penetration in the “dominion economies” like Australia and Canada, in Western Europe, in some parts of Eastern Europe, in Central Asia, other parts of the former USSR, in many parts of Latin America, Southern and Western Africa, in Egypt, in Tunisia, and in China and Southeast Asia:

Map 9: MNC penetration in the world system

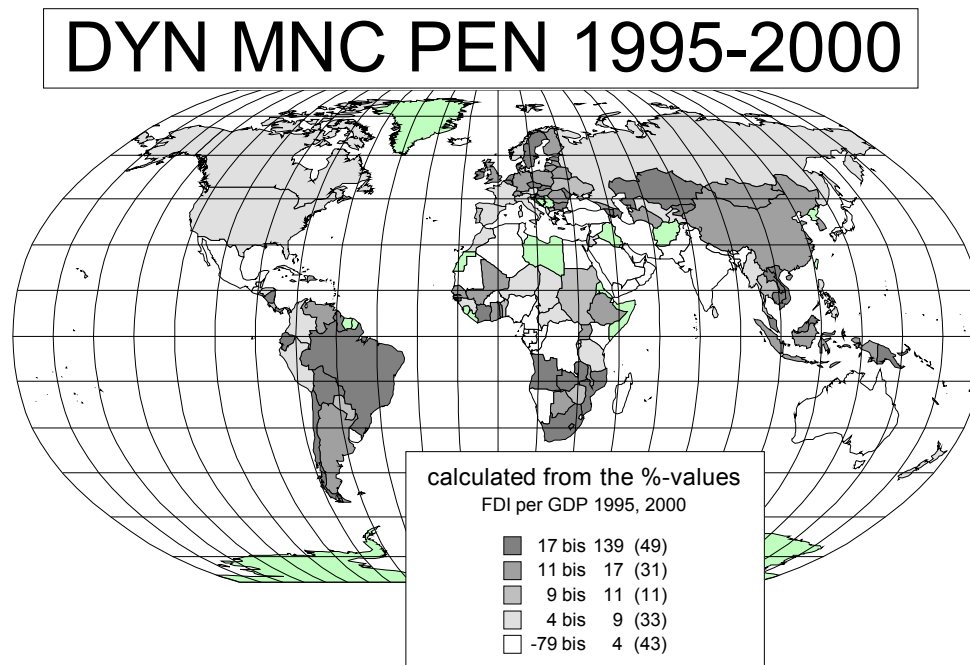


Legend: missing values for Greenland, Suriname, French Guyana, West Sahara, Bosnia/Herzegovina, Serbia, Montenegro, Libya, Iraq, Somalia, Afghanistan and North Korea. “Bis” is shorthand for “ranging from to”



During the 1990s, penetration by transnational capital dramatically increased in many parts of Europe (especially in what was described by Donald Rumsfeld⁵, US Secretary of Defense, recently as “the new Europe”); in eastern Latin America, in Southern Africa, in Central Asia and in South and Southeast Asia. However, there was a **dramatic decrease of MNC penetration in most countries of the Arab world** during the second half of the 1990s. The multinationals withdrew from the region at an unprecedented scale, long before the September 11 attacks.

Map 10: the increase of MNC penetration in the world system



World capital withdrew from the Muslim Middle East and went into Eastern Europe, Central Asia, East and South-East Asia, Eastern Latin America and Southern Africa instead. So is Giovanni Arrighi proven right again, when he maintains that the ascent of one region conditions the decline of another one? Most probably, yes.

These results are all the more striking, since we also have to consider that in our recently published multivariate analyses on a world level – contrary to popular assumptions – membership in the **Islamic Conference** is not an impediment against political democracy and human development. The empirical record, presented in Tausch (2003b), speaks a clear language in favor of Islamic democracy and against those in the West that attempt to treat Islamic cultural heritage as a general development burden. It should be also clear that a reliance on the "Washington Consensus" alone will not "fix" the performance of countries beyond a better and more predictable "development stability". The most consistent consequence of the "dependency" analysis of this afterword is the realization that a reliance on foreign capital in the short term might bring about perhaps positive consequences for employment - especially female employment - but that the long-term negative consequences of dependence in the social sphere, but also for sustainable development, outweigh the immediate, positive effects. Our three-fold empirical understanding of the process of globalization - reliance on foreign savings, MNC penetration and unequal exchange, - goes beyond the average analysis of the workings of dependency structures and shows how different aspects of dependency negatively affect development performance. Islamic culture, we could show, is not a development blockade; on the contrary. Membership in the Islamic Conference has - ceteris

⁵ See also: <http://www.rferl.org/nca/features/2003/01/24012003172118.asp>

paribus - a very positive effect on political democracy, on life expectancy, and on the indicators of the Kyoto-process and the eco-social market economy. Far from being a "religion of the Middle Ages" Islam has an important message for the 21st Century.

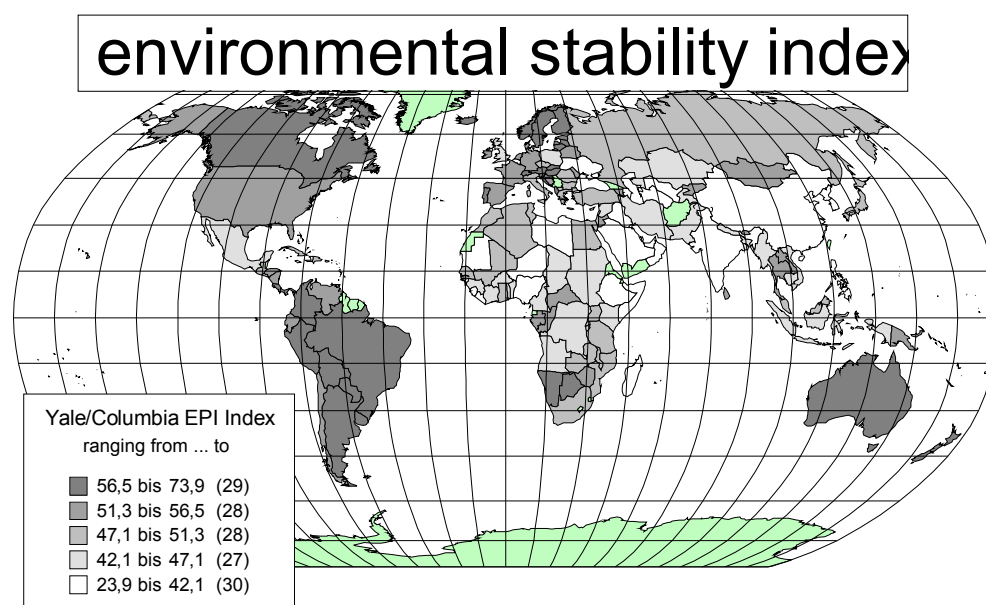
Our results clearly contradict many of the expectations inherent in the writings of Professor Samuel Huntington. 4 development indicators – 2 for the environment, 1 on human development, and 1 on democracy – are positively and significantly determined by membership in the Islamic Conference, once you properly control for the effects of the other influencing variables. However, gender justice and redistribution remain indeed the “Achilles heel” of today’s members in the Islamic Conference, strengthening the cause of those Muslims who advocate – like in the *United Nations Arab Human Development Report* – more social inclusion and more gender justice in the region, and thus a more adequate contemporary reading of the Holy Scriptures. Needless also to say, that the various Christian liberation theologies and liberation theologies from other denominations are working in the same direction (see also Muller, Tausch and Zulehner, 2000).

By way of political conclusions: beyond the “Bush Crusade”

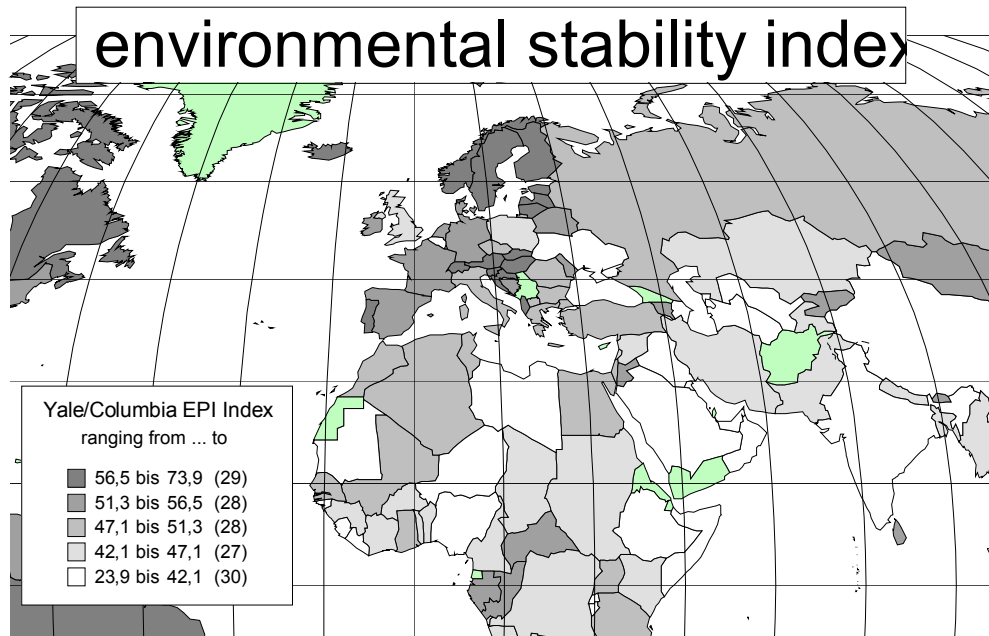
The book by Nafeez Mosaddeq Ahmed also quite correctly shows that in the final analysis the decision to go to war in Iraq also meant a decision against renewable energies and against a social contract to be based on solar energy and “the hydrogen economy”. Oil, however powerful in the present, Texas-based (un)social “social contract” of the Bush years, is a thing of the past, and the ecological movement in the United States would be well advised to link up with the peace movement in yet more increasing its opposition to this senseless war and occupation.

The Yale University/Columbia University ESI Index is a measure of the overall progress towards environmental sustainability and was developed for 142 countries. ESI scores are based upon 20 core indicators, each of which combines two to eight variables for a total of 68 underlying variables. It is the first time in the research literature that a single yardstick of sustainable development has been developed:

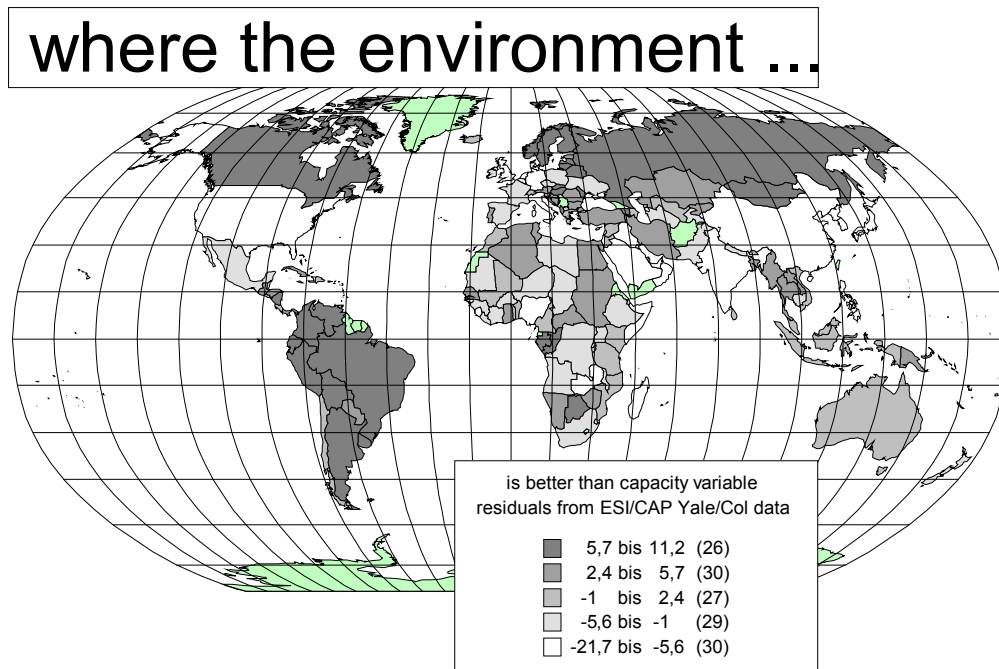
Map 11: environmental stability in the world system



The picture for the region of the MENA countries is rather mixed, with Turkey being classified ahead of the United Kingdom and on an equal level with Italy:



The Yale/Columbia project also calculated a “capacity” variable that shows the underlying chances of a country to realize an environment-friendly policy. The residuals from the linear standard regression comparing environment political capacity and environment policy (with capacity on the x-axis and the ESI index on the y –axis) shows how several nations, including large parts of Latin America, but also many parts of East Central and Eastern Europe and Turkey performed much better than might have been expected on the basis of their limited capacities; while the United States, China, India and states on the Arab Peninsula did not realize enough their existing policy potential for a sustainable development strategy (interestingly also Germany, its present red-green government notwithstanding):



When Boabdil, the last Muslim ruler of Spain, handed over the keys of the city of Granada to the Catholic rulers in 1492, it was perhaps for the first time in history that the keys to the European common house figured prominently. Are we Europeans entitled to keep these keys in our hands forever, and to exclude the neighboring world of Islam⁶?

The present book shows very well the historical and contemporary framework of the “Bush Crusade”. In political terms, the consequences for us Europeans should be clear – to strive for peace within the “Kantian” framework of democracy, equal exchange and international law in the region and with the region.

Europeans should remember that the keys of the ‘*common European house*’ do not belong to one cultural tradition only. The world of Islam was pivotal to the European path to the Renaissance and to the re-discovery of classic Greek philosophy. Islamic tolerance and knowledge enabled us Europeans to develop. While there were terrible persecutions of Jewry in Europe, the world of Islam was generally tolerant towards Jewry and to Oriental Christianity, and even provided a safe heaven of refuge for the Sepharadic refugees, expelled from Spain in 1492.

At the time of the enlargement of the European Union, the real enlargement question – that of the ‘*cultural enlargement*’ of the European Union - cannot be excluded any longer in the long run. A successful integration of the Mediterranean Muslim South would have tremendous and positive repercussions for regional and world peace. And this question is made all the more relevant by the expected demographic shifts in the vicinity of Europe until 2050.

⁶ The present author would like to recall here two articles about the speeches of H.E. Iranian President Ali Mohammad *Hojjat ol-Eslam* KHATAMI during his visits to Europe: *Orient und Okzident in Weimar. Die Rede des iranischen Präsidenten Mohammed Khatami in Weimar am 12.7.2000* (Quelle: Botschaft der I.R. Iran, Bonn) at: http://www.jahrbuch2000.studien-von-zeitfragen.net/Dokimasia/De_Pace_Fidei/Khatami-Diwan/khatami-diwan.html as well as the comment *Orient und Okzident in Weimar: »In der Welt des Menschen gibt es kein absolutes Anderssein«* by David Hartstein at: http://www.jahrbuch2000.studien-von-zeitfragen.net/Dokimasia/De_Pace_Fidei/de_pace_fidei.html

After 20 years of increasingly intensive bilateral trade and development cooperation between the European Union, the 15 Member States of the European Union and its 12 Mediterranean Partners, the Conference of EU and Mediterranean Foreign Ministers in Barcelona (27-28 November 1995) marked the start into a new "partnership" phase of the relationship including bilateral and multilateral or regional cooperation (hence called Barcelona Process or, in general, Euro-Mediterranean Partnership).

The 12 Mediterranean Partners, situated in the Southern and Eastern Mediterranean are Morocco, Algeria, Tunisia (Maghreb); Egypt, Israel, Jordan, the Palestinian Authority, Lebanon, Syria (Mashrek); Turkey, Cyprus and Malta; while Libya currently has observer status at certain meetings.

The Barcelona Declaration adopted at the Barcelona Conference expresses the 27 partners' intention to

1. Establish a common Euro-Mediterranean area of peace and stability based on fundamental principles including respect for human rights and democracy (political and security partnership),
2. Create an area of shared prosperity through the progressive establishment of a free-trade area between the EU and its Partners and among the Mediterranean Partners themselves, accompanied by substantial EU financial support for economic transition in the Partners and for the social and economic consequences of this reform process (economic and financial partnership), and
3. Develop human resources; promote understanding between cultures and rapprochement of the peoples in the Euro-Mediterranean region as well as to develop free and flourishing civil societies (social, cultural and human partnership).

Against all odds, Europe will continue its Mediterranean policy, and this policy will be in the interest of world peace in the 21st Century.

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This bibliography is not exhaustive and is only meant as an invitation to the world-systems approach, that in many ways can be regarded as a social scientific theory, explaining the post-Cold-War years. For more references, see especially Herrmann/Tausch (2004, forthcoming).

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